

★ INFLATIONARY MARKET CONTINUES ★

The MAGAZINE *of* WALL STREET *and* BUSINESS ANALYST

APRIL 25, 1959

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GAUGING 2nd QUARTER TIDY — By New Orders — Backlogs

inventories — Industry by Industry

By Harold B. Samuels

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The St. Lawrence Seaway
and Great Lakes Regions

By Dr. Eugene Van Cleef

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Special Studies of Major Industries.....

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NON-FERROUS METALS

By Caleb Fay

★ finite Improvement in MACHINERY and MACHINE TOOLS

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— Leaders and Runners-Up

By Edward Hobby

Companies Likely To Join the Stock Split Parade

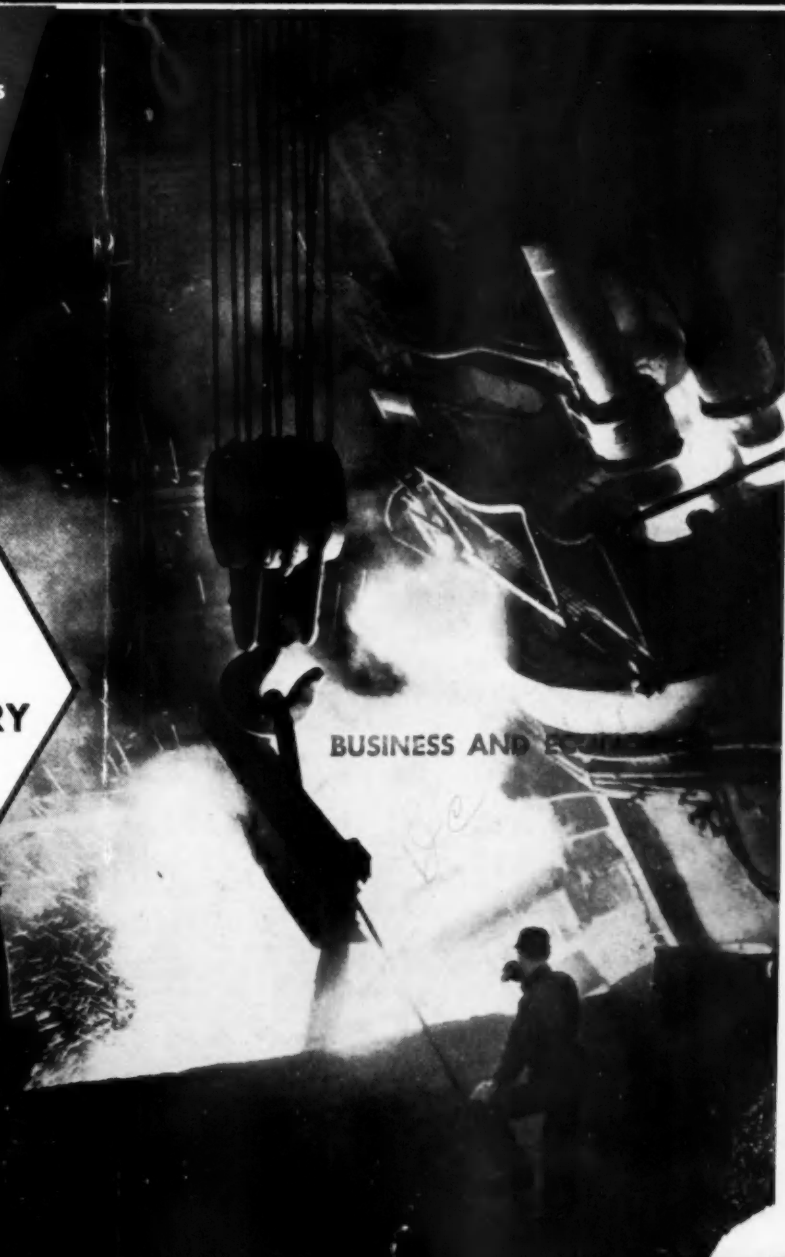
— Also — when is a stock split
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BUSINESS AND ECONOMY



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Cover photo: Test fuel elements being loaded into reactor at Babcock & Wilcox experiment laboratory. Photo credit: Babcock & Wilcox Co.

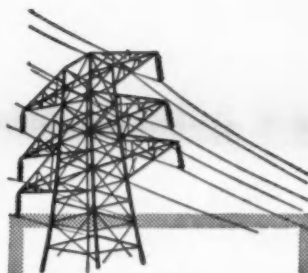
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DIVIDENDS

The Board of Directors has authorized the payment of the following quarterly dividends:

CUMULATIVE PREFERRED STOCK,
4.08% SERIES

Dividend No. 37
25½ cents per share;

CUMULATIVE PREFERRED STOCK,
4.24% SERIES

Dividend No. 14
26½ cents per share;

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Dividend No. 6
29½ cents per share;

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Dividend No. 46
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P. C. HALE, Treasurer

April 16, 1959



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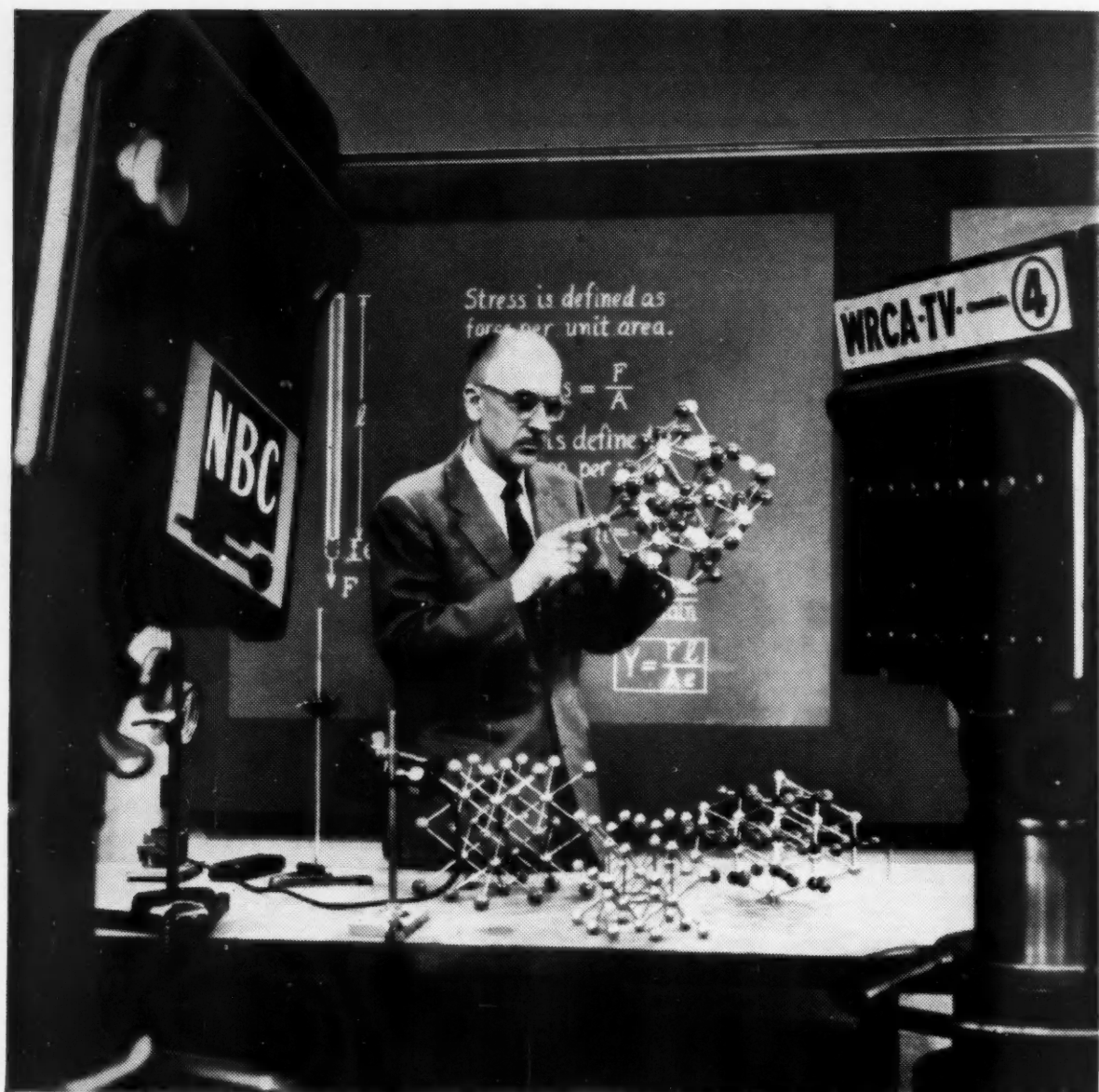
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THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher*

1907 • Our 52nd Year of Service • 1959



The Trend of Events

THE STRENGTH AND VITALITY OF OUR ECONOMY . . .

The democratic system of free enterprise established by our founding fathers has proven itself to be the soundest basis for vigorous economic growth and the well-being of the individual that the world has ever known.

The speed and convincing fashion in which America emerged from the recession has not only astounded the world, but has even surprised some of our top economists and businessmen. In fact, no one was more surprised by our stability and dynamic progress than the Russians, to judge from a brochure recently published on the future of the American economy, by 15 Soviet economists.

This high level of stability, with its remarkable standard of living for the people of our country will now be studied by the governments of the rest of the world, including the Communists. For comparison—examples of what can be accomplished by a free people under a free government already exist in the enormous economic advances made by Japan and West Germany, operating under free enterprise systems similar to ours — and who have in the short space of the postwar period made gigantic strides economically far ahead of the accomplishments by any of the Communist countries — so far ahead that it will be noted more and more by the people of the world.

So great has been our progress that the United States today is operating in the main under a middle class economy and all that it implies in standard of living and individual buying power. And, what is more, the existing opportunities for growth in our own country insure a bright future for coming

generations.

It was our across-the-country expansion after World War II and Korea that lifted us to a new peak. And, in prospect now, is the development of the new areas open to exploitation and expansion along the St. Lawrence Waterway and hinterland that extends practically from the Atlantic through the Middle West, way up to the Pacific Northwest. The story of the opportunities is fully discussed in this issue by Dr. Van Cleef. Of course there will be necessary adjustments, but, as in the past, each will be a step forward. Just as sailing vessels gave way to steam, and the horse and buggy to the automobile, the future is bound to be a process of evolution.

And there is also a new avenue of expansion in the making, through the rehabilitation which lies in the arid reaches of the Southwest, where the lack of fresh water has been a great handicap in both agricultural and industrial development — a condition that is bound to change as a result of the government's successful progress in producing the necessary water supply. This important advance may open up a new era for exploitation and industrialization, which in addition to assuring a future food supply, will provide work, homes and a new life for our growing population — for many of our citizens — and the young people thinking of the future.

Yes — the United States is still in a growth position, which the genius of its people can build to greater heights than we have ever known. In fact, the problems we have been experiencing as we move from one age into another are merely growing pains, which are a natural part of a changing age.

BUSINESS, FINANCIAL and INVESTMENT COUNSELLORS: 1907—"Our 52nd Year of Service"—1959

As I See It!

by Charles Benedict

MR. DULLES — THE RUSSIANS — AND OUR ALLIES

THE great spirit of Mr. Dulles has moved the entire country to deep sympathy and hope for his well-being. Not even his severest critics have questioned his courage and dedication. For he has not spared himself at any time in carrying out his missions in the interests of our country and the West, nor hesitated to go to any part of the world when he felt it necessary to do so in the service of peace and international understanding.

The differences with Mr. Dulles have arisen over matters of approach and implementation, and, because he was the prime architect of our foreign policy and carried so much of the load on his own shoulders, his illness coming at this crucial time in our affairs caused consternation among friend and foe alike. Under these circumstances, even his sharpest critics—and those who frequently questioned his judgment—were at a loss as to who could be called upon to take his place in dealing adequately with the Russians—our allies—and the entire situation.

However, second thoughts now shaping up lead to the conclusion that the fears which made the problem seem unsurmountable at first blush, have been greatly exaggerated. For, since the Russians who knew what to expect from the reactions of Mr. Dulles to the various matters at hand and his general approach, will now, for the first time, be confronted with a new personality, whose view-point, methods and ideas they have yet to test—this is bound to give us an advantage such as we have heretofore not enjoyed.

In fact, this situation takes on some interesting aspects, not only in relation to Russia, but to our allies also. Mr. Christian Herter has an entirely different personality from that of Mr. Dulles and is highly respected in his own right. Besides, he has the advantage of two years in the State Department as Under-Secretary, and is thoroughly familiar with the problems in our relationships with the leaders in Britain, West Germany and France. Mr. Herter is fortunate too — in that when he goes to Paris he will have both De Gaulle and Adenauer in his

corner, which will add strength to his approach in dealing with his British colleagues.

Already his status has been bulwarked by the change in our attitude toward the British position vis-a-vis Russia, which has shown a tendency toward the same appeasement which has for years been responsible for our troubles in dealing with the Soviet leaders.

In fact, one of the most striking things that has emerged since the illness of Mr. Dulles is the indisputable evidence of the titanic effort he had to make in order to hold the allies together, which has been so clearly demonstrated by the way they fell apart as soon as they thought he was out of the picture.

In retrospect, it seems that what appeared to be contradictory decisions by Mr. Dulles at the time, were actually necessary steps he had taken to compromise differences in order to maintain the appearance of a united Western front.

It should be remembered that Mr. Dulles was part of Mr. Acheson's team, and inherited the terrible problems resulting from the mistakes due to following the British policy of appeasement, which lost us our highly developed commercial interests in China and the friendship of the Mainland. Dean Acheson at that time seemed to be leaning heavily on the declaration by British interests that what we were witnessing in China was merely an agrarian revolution, instead of the advance troops in the vanguard of a Communist army of conquest.

I would say, without fear of contradiction, that it was Mr. Acheson's policy of appeasement that led to the division of Korea and the general losses in our position and prestige around the world.

The strong stand taken by President Eisenhower recently against further appeasement, is the only realistic position he can take. It is about time we put an end to a fallacious policy that has done us no good and much harm, these many years past.

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that Prime Minister Macmillan was better qualified to take over the leadership of the West, shows clearly the determination of British industrial and financial interests to get their way — to dominate the situation.

And the fact that these vituperative attacks in the London press were followed by similar ones in the other Commonwealth countries, including Canada, shows that it was a planted and slanted campaign to further British interests above and beyond any other consideration. And so determined were they to get their way that they also attacked Adenauer and De Gaulle because they did not agree with them, practically disrupting relationships between the allies right on the verge of the conference.

And yet, the basis for these British maneuvers are purely in the realm of speculation, which, in the long run, would make them the prey of Russian and Red Chinese ambitions. They may cry wolf in vain if Russia turns on them.

Do they think by questioning Mr. McElroy's judgment, rejecting Berlin air curbs, they will gain favor with Russia — that it will prevent Iraq oil from being nationalized?

And will they even go so far as to encourage Nehru to advise the Dalai Lama to return to Tibet and submit to Red China, in the hope that this appeasement will hold Hong Kong for them?

And after all this what can they possibly hope for from us when even Canada, our neighbor, talks about becoming a neutral, and leaving us to hold the bag on NATO and Continental defense?

The West is now at a crisis in its relations, and this evident loosening of ties clearly plays into Russian hands. Speaking before officers and men of the United States Military Garrison in West Berlin, U. S. Army Secretary Wilber Brucker warned against disunity in this crisis over Berlin, which Russia is fomenting in order to drive the wedge straight through the heart of the wobbling Western alliance.

Mikoyan's visit tested our stand on appeasement, and, when the Russians failed, they turned to Britain and tempted her with offers of trade and other promises which she found hard to refuse —

and further loosened the slender thread that held her to the Western alliance.

Instead of doing everything possible to firm the better relations between France and Germany, which could stabilize and build a strong European coalition, London has chosen to act in a way that can disrupt this union, in the hope of advantages in the balance of power that may never accrue to her in the future, because Russia is sitting on the doorstep ready to swallow all of Germany if NATO, which has been holding the European community together, is destroyed.



The photograph above shows President Eisenhower conferring with John Foster Dulles, and inset, Christian Herter, who has now been appointed to succeed Mr. Dulles as Secretary of State.

The Russian bear is geared to march through Europe to the Atlantic and across the world. The only force that can hold them back is a firm resolve on the part of the United States, West Germany and France to stand shoulder to shoulder and refuse to budge from a "sound position," to quote Mister Mikoyan.

The undercurrent of dissatisfaction with the British attitude, not only on the part of the United States, but by West Germany and France as well, is bound to be reflected in decisions at the ministers' conference in Paris. And I have a feeling Mr. Herter will handle the situation judiciously in accordance with the best interests of the West as a whole, and not slanted to the special advantages of any individual country.

END

Evaluating The Market Outlook

As Inflationary And Other Pressures Continue

Spotlighting the factors at work in the unusual nature of this mixed market, with average stock prices again at new highs. Evaluations are now generally over extreme past levels, but indications are that they will go higher — at least over the near term. Where history of market action from 1929 through 1946 shows why intrinsic values cannot be ignored — although more than technical reactions are unlikely in existing environment.

By A. T. MILLER

Compared with a few years ago, you get considerably less for your money today in buying a house, car or almost anything else — especially common stocks. Partly because of the continuing investment-speculative emphasis on the long-term inflation threat, stocks are indeed among the most inflated of all things, as judged by formerly accepted standards of value.

But present indications, technical and otherwise, are that they probably will get more inflated — by

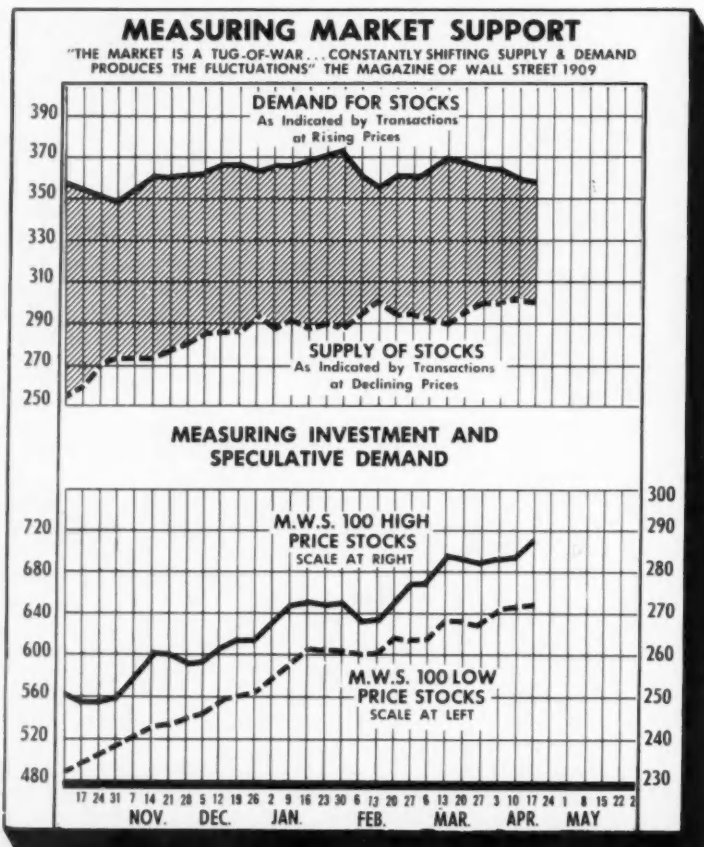
how much nobody can say — before this market rise terminates in untenable and top-heavy excess. Despite sharp sell-offs in some stocks, particularly speculative issues which had been run up to absurd levels, all general reactions so far this year have been minor, have been accompanied by shrinkage in trading activity and have been followed without much delay by improving prices on expanding volume.

It is still the same story up to this time. Following about four weeks of restricted trading-range fluctuation, featured by numerous cross-currents within the list, the industrial average gathered renewed strength last week, broke through its mid-March top and thus attained another in the long series of new all-time highs. Rails had been stymied since mid-January; but began to rally with some determination in late March, and put on a sufficient spurt last week to go into new high ground for the 1958-1959 advance and thus to the best level seen since July, 1956. Utilities remained moderately under the high recorded by this average on March 18.

The Factors At Work

As in any free market, supply and demand determine stock prices, regardless of how foolish or wise the buying and selling decisions prove to be over a period of time. So far, as heretofore, the over-all supply-demand balance in the market is working in behalf of higher average prices. In short, the consensus of individual investors and speculators, and of institutional fund managers, is that buying or holding stocks is preferable to selling.

The reasons for this prevailing belief, not necessarily in order of actual influence, are: (1) established upward trends in business activity, corporate earnings and dividends; (2) confidence



in long-term prospects; (3) expectation of more long-range inflation; (4) unwillingness to incur tax liability by profit taking; and (5) the usual mushrooming optimism generated by a broad and protracted market advance.

The latter is generally more of the story at a high market level than people realize. It is much of the present story not only because stocks have trended upward since late 1957, but because general investment experience has been more happy than sad through the whole long period since early 1942 — a period of major bull markets, moderate or minor bear markets.

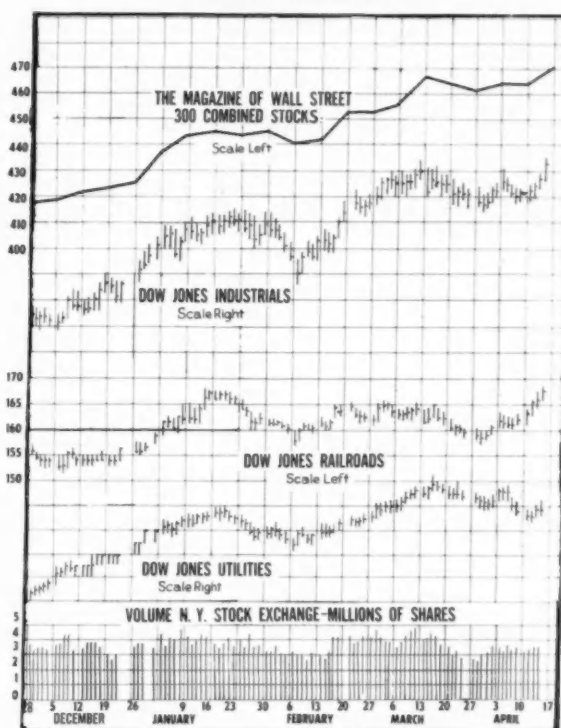
Corporate profits in the first quarter were up sharply from the low year-ago level, reflecting the usual leverage factors which work until business recovery takes up most or all of the previous slack, after which favorable unit costs become less so or disappear. Total earnings are now running at a record annual rate around \$25 billion, against \$17.9 billion in 1958 and the previous peak of \$23.1 billion in 1956. Gains will narrow by the third quarter, with or without a steel strike. Whether a full-year record will be attained is problematical. A more moderate, but sizable, 1959 gain in dividends is indicated.

What's the matter with that? Nothing — except that the gains have already been so largely allowed for in stock prices; and that in many cases possible gains are being discounted several or more years ahead as indicated by sky-high price-earnings ratios on a current basis and dividend yields ranging from less than 1% to 2%.

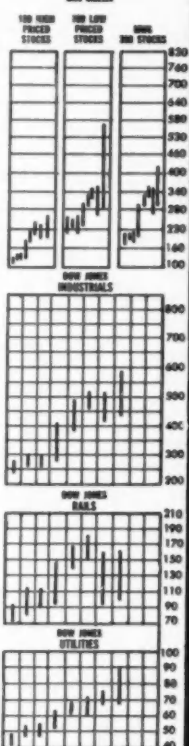
As regards inflation: If it is renewed and extended on a creeping basis — which seems to be the expectation — that too has been allowed for in stock prices for an extended time to come. If it should start to gallop, the effects will be disruptive and make tight Government controls inevitable, with damage to business expansion and profits.

"Bull-market confidence" is, of course, nothing new. There was plenty of it before and at every past market top, including 1929, 1937 and 1946. In the past, people who bought even good stocks at too high levels had to wait some time for recoveries — whether the cost of living was rising or receding. On this point, the April letter of the First National City Bank appropriately observed: "It took 16 of the 30 stocks presently in the Dow industrial average more than 20 years to get back to their 1929 highs — and four still haven't made it. Measured

TREND INDICATORS



YEARLY RANGE 1951-1958
DOW INDEX



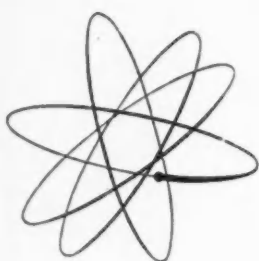
from 1946, 12 of the stocks took between five and seven years to recapture their '46 highs. Two others took more than twelve years and one has not yet regained its '46 peak."

Sure, there is long-pull economic growth ahead, as there always has been. It probably will be less dynamic than the market consensus allows for. For the postwar period as a whole, we have had strong growth, partly due to catching-up needs and to the Korean War. Yet it took ten years to 1957 for earnings on the Dow industrials approximately to double.

In seven years through 1958, dividend growth on the Dow industrials averaged around 3% annually — more in some years, less in others. The present cash dividend yield on the general run of industrial stocks averages less than 3.2%. The past long-term average yield was nearer 5%. It may be somewhat less in future. That it will be 3.2% or less seems questionable. At 3% annual dividend growth — as in 1952-1958 for the Dow average — the buyer of an industrial stock at present average yield, will wait some 15 years for a 5% return on his cost. At a 5% growth rate, the wait will be about nine years; and at a 10% dividend growth rate — possible for a minority of stocks — it will be over four and a half years.

Anatomy Of The Market

Last Thursday, when the Dow rose 5.08 points to a new high, only two of (Please turn to page 184)



GAUGING SECOND QUARTER

☆ By New Orders ☆ Inventories ☆ Backlogs ☆ Industry by Industry

By Harold B. Samuels

FROM all indications the second quarter of 1959 will continue the pattern of economic recovery that characterized the last quarter of 1958 and the first three months of the current year. Encouraging as this prediction sounds, however, it is necessary for investors to place several vital factors in perspective.

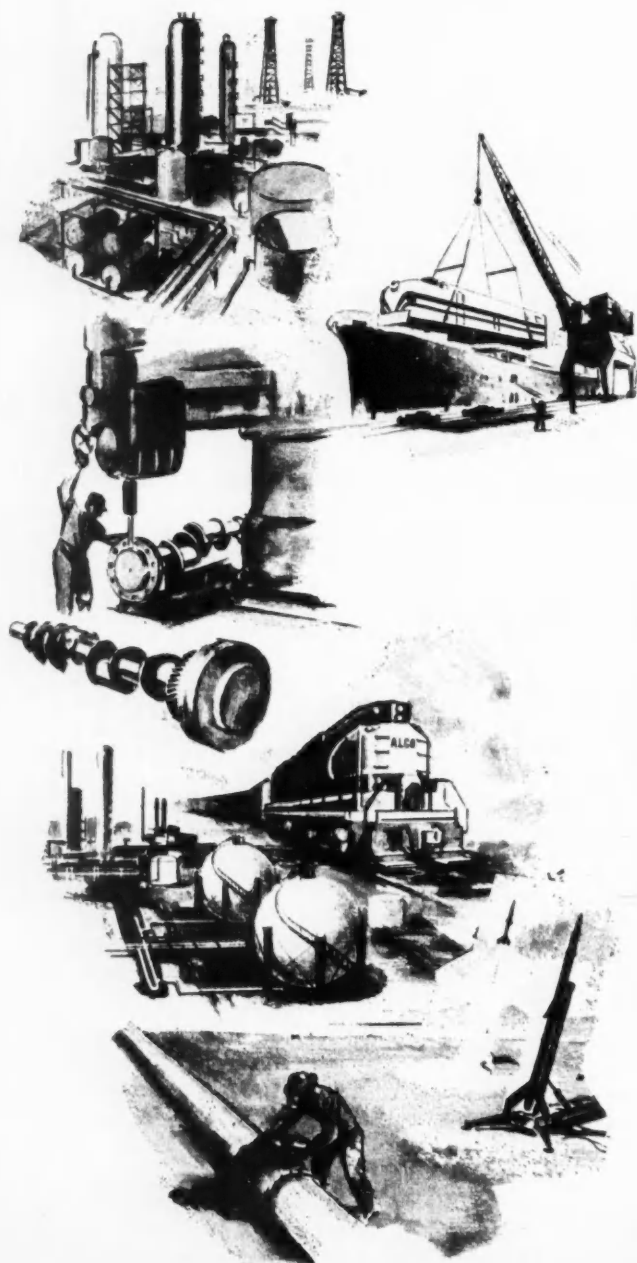
Two, in particular, stand out glaringly. The first is the oft-forgotten fact that statistics now — and over the next six months — will be measured against the low points of the recession, and in consequence will appear exceptionally attractive.

The second, and perhaps more important factor, is the impact of the threatened steel strike on current business indicators. Most business statistics are heavily weighted by the few industries for which we have complete current figures. Since the steel industry is one of the most important of these it is normally an excellent indicator of the present state of business. But when other industries are swallowing steel in huge gulps as a hedge against a possible strike, the figures are liable to distortion. Predictions, therefore, based on the current measures of economic activity must take into account the distinct possibility that steel, and other important materials are being over-bought at the moment — and that the second half of the year may witness a compensatory slowdown.

For investors, the probable distortions in today's business figures are of crucial importance since the pace of economic activity over the next several months will determine whether the recovery from the recent, and unlamented recession will carry business to high levels, or will tail off into modest and unspectacular activity.

The Key Indicators

Within this framework even the most basic economic indicators must be viewed with a certain amount of suspicion. As in the past, we have found that from among the profusion (and sometimes confusion) of business statistics, the most practical keys to business conditions are; 1) the status of



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QUARTER OUTLOOK...

industry's backlogs of unfilled orders; 2) the condition of manufacturer's inventories; and 3) the rate at which new orders are being written by our key industries and major corporations.

Of course, there are other important indicators, but in most instances they are reflected to a greater or lesser degree in these three factors. Construction activity, for example, shows up most critically in the backlogs of cement companies and construction equipment manufacturers. The latter in turn is reflected back into the steel and primary metals industries. The outlook for automobile sales is also felt quickly in steel industry backlogs, and in the new order positions of companies manufacturing transmissions, body frames, tires and the scores of accessories that are part and parcel of Detroit's "gilded chariots."

It should also be pointed out that a large increase in business activity raises the physical level of the shipment of goods — a factor which taxes the carrying capacity of the rails and leads to rising backlogs for the makers of railway equipment. All of the above, in turn, leads ultimately to expansion of existing facilities and a rise in new orders for the nation's machinery and tool manufacturers as well as the producers of various electrical and electronic industrial components.

The above is basic, but today any figures measuring new order and backlog figures must be adjusted for the high level of activity attributable directly to the impending steel strike. Of course, this is unmeasurable, but the status of manufacturer's inventories provides clues to the degree of distortion present in all basic indices.

Inventories on Upswing

Along with new orders and backlogs, inventories reflect both the level of business and the attitude of management toward the future. A year ago, inventory liquidation was proceeding at a record post-war rate, as company managements looked ahead to a prolonged dry spell. Moreover, despite the rapid liquidation, the ratio of finished goods on hand to sales remained extraordinarily high, leading to production cut-

backs and a deepening of the recession.

Since the last quarter of 1958, however, this situation has changed. At first, liquidation slowed down to a point where it was no longer a drag on the economy, and then in recent months a rebuilding of stocks began. So far it has not been sensational, but just the fact of its reversal has been sufficient to push Gross National Product to a new all time peak of \$464 billion, and to raise the level of industrial production to 144 (as measured by the Federal Reserve Board) — a figure only one percentage point below the February 1958 level.

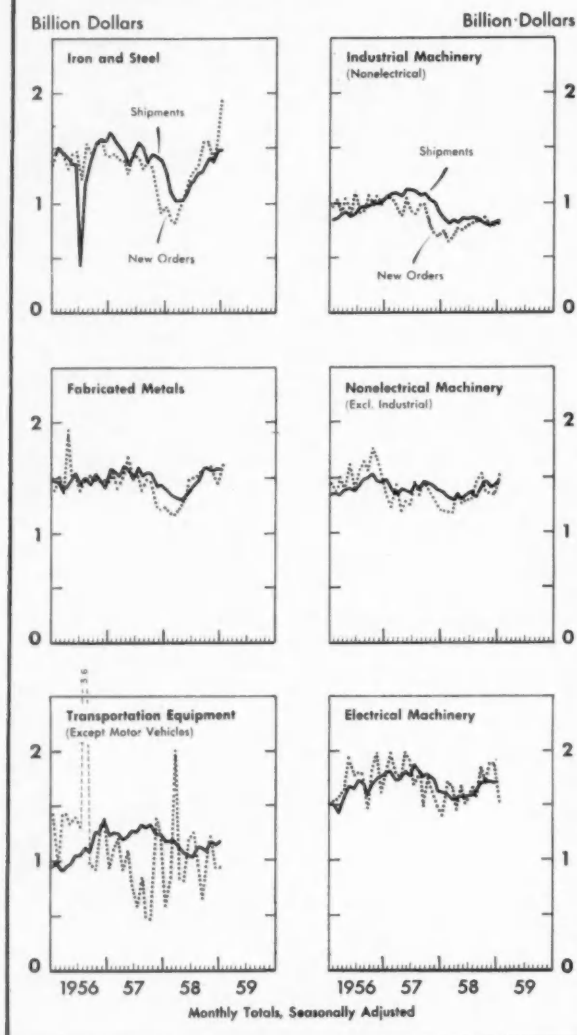
The reversal in inventory policy has led to some startling changes in just a brief period of time. Inventories equal to approximately two months sales is usually considered a normal level, but by February of last year they had climbed to almost two and one-half months sales, a record for the post-war period. By early 1959, however, a combination of low inventories and expanding sales had reduced this ratio to only one and three-quarters months sales — substantially below the average. This figure was an obvious tip-off that a new cycle of inventory accumulation was in the making.

However, almost two-thirds of the inventory build-up in the early months of the year occurred



Shipments and New Orders Durable-Goods Manufacturers

Major advance in steel



in the durable goods sector and was concentrated largely in the steel, primary metals and metal fabricating industries. The results read like a roster of bullish statistics. Steel operations have boomed, in fact output in March was the highest for any month in history; the price of copper recovered sharply enough to encourage Kennecott Copper to return to a \$6.00 per year dividend basis; and of course Industrial Production and Gross National Product soared, as previously mentioned.

The big question, however, is what will happen after the steel strike — or its threat — has ended.

Encouraging Signs

Happily, there are signs that the upswing is more than transitory. Manufacturers new orders spurted in February by \$1.3 billion to an adjusted rate of \$29.8 billion, a figure just shy of the pre-recession

peak of \$30 billion in November 1956, and well above the recession low of \$24 billion.

Of course, part of the increase represented steel ordering, but a large amount was also of the more basic and long-lasting type. Machine tool orders, for example, though still well below previous highs, have definitely turned upward. Freight car orders, perhaps a more sensitive indicator, have shown a sensational rise—and in fact new orders placed in the first two months of the year equalled all orders placed with the car builders in 1958. Moreover, the secular growth of the electric utility industry has again become manifest, and is showing up in growing backlogs for the large producers of generators and power distribution equipment.

Both General Electric and Westinghouse, for example, reported a slowdown in new orders last year, but since December, each has called attention to a budding new round of ordering by the nation's large utility organizations.

Perhaps most encouraging of all, however, are the statements made recently by electrical utility industry officials forecasting a doubling of output capacity by 1970. Forecasts of this type may go awry, but when made they can be considered an excellent indication of managerial optimism, at the moment.

Capital Expansion Turning Up

The more optimistic appraisal of the future is not confined to the utility industry, however. A recent study of capital spending plans indicated that businessmen plan to spend almost 5 percent more for plants and equipment in 1959 than they did in 1958. In effect, this reversal is second only to the inventory swing in economic importance.

In all, capital spending fell 17 percent last year to \$30.5 billion (The Magazine of Wall Street predicted a 15 percent drop, while other leading surveys estimated the decline at from 10 to 13 percent), from \$37 billion a year earlier.

(Please turn to page 181)

MANUFACTURERS' SALES, NEW ORDERS AND BACKLOGS (Billions of dollars)

	Sales*	New Orders*	Backlogs
Dec. 1956	28.8	29.0	64.2
June 1957	28.1	27.1	60.3
Dec. 1957	26.7	25.1	50.7
Jan. 1958	26.4	24.4	49.1
Feb. 1958	25.5	24.1	47.8
March 1958	24.9	24.8	47.5
April 1958	24.9	24.5	46.5
May 1958	25.2	25.0	46.1
June 1958	25.7	25.8	46.4
July 1958	26.3	26.5	46.7
Aug. 1958	26.4	26.1	46.7
Sept. 1958	26.8	27.0	46.2
Oct. 1958	27.2	27.9	46.1
Nov. 1958	27.5	27.8	46.7
Dec. 1958	28.1	28.4	46.8
Jan. 1959	28.1	28.5	47.7
Feb. 1959	28.5	29.8	49.2

*Seasonally adjusted.

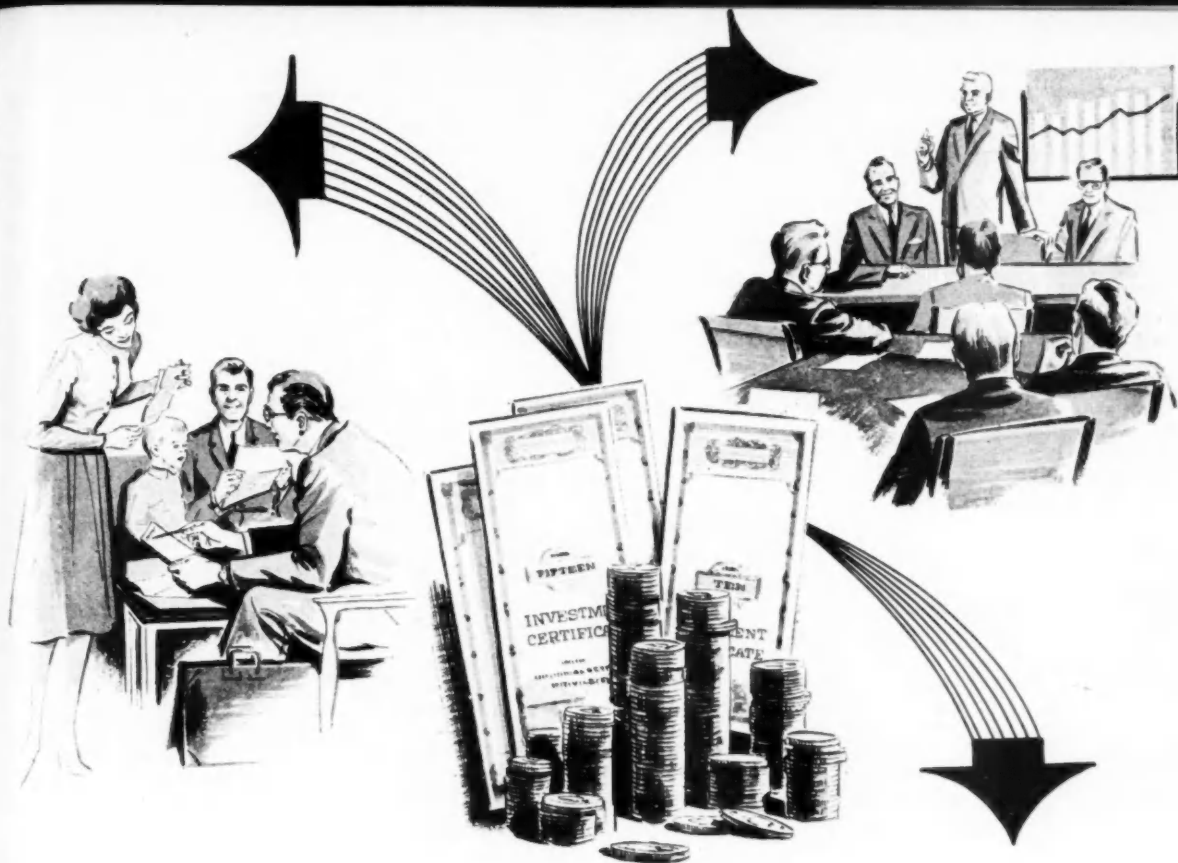
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OTHER COMPANIES LIKELY TO JOIN THE STOCK SPLIT PARADE

By Robert B. Shaw

1959 is going to be a big year for stock splits. It requires no crystal ball to make this assertion, as the 47 splits so far effected or announced for New York Stock Exchange-listed stocks during a period of barely over three months, already exceed the totals both for 1958 and 1957. It is almost certain that aggregate splits for the current year will considerably exceed the 103 carried out in 1956, the previous record year.

Numerous articles have been written in financial publications on the motives prompting stock splits, and the subject has been pretty well stripped of all mystery. Briefly, stocks are divided primarily to keep the price within a popular trading range and thus to broaden the market. Most investors like to buy in round lots, or at least in units of tens, and as smaller investors greatly outnumber large ones, the demand for a stock selling at 30 is considerably stronger than that for one selling at 60. This factor normally suggests a split as every stock approaches 100, although, of course, there are some contrary considerations as well. Some stocks split far below this level; for example, back in the previous high tide of stocks splits in 1956, Seaboard Finance split 2-for-1 when it only reached 38. Also, in a highly speculative market such as we have been experiencing, there was no sound basis whatever for splits

in a number of stocks.

In the present article our primary interest is not in why stocks split but when they split, and more specifically, which stocks are likely to split in the near future.

But before we pass on to a discussion of individual companies, one perplexing question deserves brief examination. Do splits in themselves raise the price of stocks? Does it create any advantage when the same equity in a corporation is suddenly evidenced by a greater number of paper certificates? Stock splits are undoubtedly popular with investors, and shares usually rise more rapidly than the market from the time a split is rumored until some time after it is issued. This fact, already demonstrated in more comprehensive studies, is illustrated again by the accompanying table of seventeen recent stock splits consummated or announced. These issues appreciated, on the average, 9% from their respective prices one week before each split was announced, up to April 10th. During the corresponding periods, the general market, as measured by the Dow Jones Industrials, advanced only 4%. The advantage in favor of the split stocks was definite.

In the case of sound splits it is improved earnings and the general success of which the split is

Recently Proposed or Approved Stock Splits

	Split Ratio	Date		Price		Price Increase From Date of Announcement		Company Earnings Per Share	
		Announced	Effective	Recent	Before Announcement	Issue Ind.	Dow-Jones Aver.*	1958	1957
American Tel. & Tel.	3-1	Dec. 17/58	June 1/59	247	200	23%	7%	\$13.50	\$12.84
Arvin Industries	5-4	Febr. 25	Apr. 28	27	26	3	3	1.32 ⁵	3.28 ⁵
Eastman Kodak	2-1	Febr. 17	Apr. 13	78	70 ⁵	11	6	2.57 ⁵	2.55 ⁵
Flintkote Co.	3-2	Mar. 26	Apr. 22	39	41	- 5	-1	1.97 ⁵	2.49 ⁵
Florida Power & Lt.	2-1	Febr. 16	June 1	93	89	5	6	3.51	2.98
General Amer. Transport.	2-1	Nov. 6/58	Jan. 22/59	62	50 ⁵	24	12	3.03 ⁵	3.30 ⁵
General Development Corp. ...	2-1 ³	Mar. 31	May 18	52	67	-22	-	2.80	.92
Georgia Pacific	5-4	Mar. 22	June 25	65	67	- 3	-1	2.45	2.49
International Bus. Machines ...	3-2	Mar. 31	June 10	550	525	5	-	10.65	7.73
International Tel. & Tel.	2-1	Dec. 10/58	Mar. 5/59	39	27 ⁵	44	9	1.85 ⁵	1.56 ⁵
Johnson & Johnson	2½-1	Nov. 17/58	Jan. 9/59	55	47 ⁵	17	9	2.38 ⁵	2.49 ⁵
Lorillard (P.)	2-1	Febr. 6	May 1	42	42 ⁵	-	3	4.01 ⁵	1.90 ⁵
Motor Products	2-1	Febr. 26	Mar. 11	34	35 ⁵	- 3	3	2.17 ⁵	5d.08 ²
Pfizer (Chas.) & Co.	3-1	Nov. 13/58	May 15/59	38	31 ⁵	23	9	1.48 ⁵	1.41 ⁵
Pillsbury Co.	2-1	Jan. 5	Apr. 21	42	36 ⁵	17	5	2.89 ⁵	2.02 ⁵
Universal Controls	4-1 ⁴	Mar. 18	June 17	60	77	-22	-1	2.00 ¹	1.28
Zenith Radio	3-1	Jan. 27	May	90	64 ⁵	42	1	4.10 ⁵	2.76 ⁵

*—Change in Dow-Jones Industrial average from its level a week before the split announcement.

¹—Estimated for fiscal year ended March 31.

²—12 months ended Dec. 31.

³—On top of 5 for 4 distribution payable on same date.

⁴—On top of 10% stock div. payable April 30.

⁵—Adjusted for split under discussion.

merely a signal, that causes split stocks to exhibit better-than-market performance. In fact, split stocks which do not justify the promise which the split implies by showing continued earnings gains and early dividend increases have usually sunk back, after a few months, to their earlier level and degree of activity. The sad experience of issues like **Fruehauf Trailer** and **Rayonier** following their 1956 splits shows that splits in themselves provide no assurance of financial success. Like the boy who called "Wolf!", a split may even hurt a company if it builds up hopes that soon appear rash or unrealistic.

Poorly Conceived Splits

Splits do, nevertheless, sometimes spread like a teen-agers' craze; some companies rush in to them impulsively in an ill-directed effort to court investor popularity. The adjoining list includes some apparent splits of this character. It can hardly be denied, for example, that **Arvin Industries**, an automotive equipment manufacturer, timed its forthcoming split unfortunately to follow so closely a year in which sales declined 23% and (adjusted) net income per share more sharply to \$1.32 from \$3.28 in 1957. **Flintkote**, which has enjoyed a favorable long-term record, might also have been better advised to delay its scheduled 3-for-2 distribution until after longer opportunity for recovery from last year's earnings drop to \$1.97 per share from \$2.49 the year before. These discouraging figures are apt to obscure the fact that 1958 sales actually showed a narrow gain while the unfavorable earnings comparison was partly due to a special credit of \$1,000,000 received in 1957.

Splits as a Speculative Device?

Three other issues illustrate even more dubious

practices. While **General Development** (ASE), engaged in real estate operations in southern Florida, was fortunate enough to emerge strongly on the profit side of the income statement last year, after some years of merely break-even operations, this hardly seems an adequate signal for simultaneous 5-for-4 and 2-for-1 splits to be effected on May 18. Possibly the company is overanxious to redeem itself from the stigma of a 1-for-2 reverse split back in 1956. **Motor Products** (NYSE), a manufacturer of parking meters, also has something to wave the flag about in racking up profits of \$2.17 a share in its 1958 fiscal year, after four years of uninterrupted losses, but it would have seemed wiser to wait for this prosperity to achieve a more solid foundation before celebrating by a 2-for-1 stock split. **Universal Controls** (ASE) has exhibited some recent gyrations that are reminiscent of the financial legerdemain of 1929. After splitting 2-for-1 last year, when it merged itself into its former subsidiary, American Totalisator, the company has just declared simultaneously a 10% stock dividend and a 4-for-1 split. Its volatile character can be indicated by its price range this year — 102 to 38 — compared with its present price of around 60. If these five issues, all of which except Arvin have suffered market declines since the announcement of their splits, were eliminated from the table, then the remaining twelve issues would show an average price gain of 17%, compared with only 5% for the market as a whole, since just before news of the splits became public.

This sharp contrast between the two groups provides clear evidence that a favorable earnings picture in addition to the split itself is an essential ingredient in the customary better than average post-split market performance. Most splits can be accepted — subject to unforeseen conditions, of

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20 Candidates For Stock Splits

		1958 Earnings Per Share	Current Div.	Price- Earnings Ratio	Div. Yield	Previously Split Date	Old Price
Air Reduction	89	\$3.44	\$2.50	26.8	2.8	Apr. 1936	180
American Home Products	140	5.53	3.50	25.3	2.5	Nov. 1957	150
American Tobacco	100	8.55	5.00	11.6	5.0	July 1930	132
Borden Co.	80	5.06	2.80 ¹	15.8	3.5	Apr. 1929	—
Caterpillar Tractor	89	3.48	2.40	25.6	2.7	Mar. 1935	96
Corning Glass	105	2.52	1.50	41.5	1.4	Jan. 1955	150
Eaton Mfg.	70	3.46	3.00	20.2	4.2	Nov. 1948	69
Emerson Electric	62	3.49 ³	1.60 ¹	17.8	2.6	Sept. 1956	37
Firestone Tire & Rubber	144	6.24 ²	2.60 ¹	23.1	1.8	Jan. 1955	120
General Mills	98	6.49 ⁴	3.00	15.1	3.1	Aug. 1945	135
Gulf Oil	114	10.17	2.50 ¹	11.2	2.2	June 1951	100
Kansas City Southern Ry.	82	8.63	4.00	9.5	4.9	Apr. 1953	84
Merck & Co.	80	2.53	1.40	31.7	1.8	Sept. 1951	105
Minn. Honeywell Reg.	122	3.23	1.75	37.8	1.4	May 1955	120
Minnesota Mining & Mfg.	132	2.58	1.20	51.0	0.9	May 1956	140
Pennsalt Chemical	82	2.86	1.85	28.7	2.3	Nov. 1944	185
Sherwin-Williams Co. ⁶	230	11.48 ⁵	5.50	20.0	2.4	Aug. 1947	140
Sunshine Biscuits	104	6.89	4.40	15.1	4.2	Apr. 1946	90
Union Carbide Co.	130	4.15	3.60	31.3	2.8	May 1948	120
Youngstown Sheet & Tube	120	6.23	5.00	19.2	4.2	Oct. 1950	100

¹—Plus stock.

²—Fiscal year ended Oct. 31.

³—Fiscal year ended Sept. 30.

⁴—12 mos ended Nov. 30.

⁵—Fiscal year ended Aug. 31.

⁶—Listed on American Stock Exchange; all other companies are on N. Y. S. E.

course — as valid projections of financial success, and thus point out profitable buying opportunities. It is certainly not too late to buy a stock after the split has been announced, although it is probably well to wait until the initial fever has subsided.

Sound Splits in the Making

But just as with last year's graduating class, attention quickly shifts from the consummated splits to the forthcoming candidates. Even if one is not on a board of directors, selecting splits in advance is something less than pure guesswork. The prices of stocks, the examples of other companies in the same industry, previous financial history, and even the character of the companies' products provide some clues to the likelihood of prospective splits. A previous article on this subject, in the *Magazine of Wall Street*, for November 8, 1958, can claim a not uncreditable record for pointing out stock splits in advance; of 24 candidates specifically named no less than eight have effected or announced splits within the following five months. All of the others remain candidates in good standing. Because of the recent acceleration of the stock-split movement, however, we have compiled a new list which accompanies this article.

As the limitation of space prevents an adequate discussion of all of these twenty companies, we will pass over some of the best-known ones, on which it is relatively easy to secure information, in favor of a little more attention upon others which may not be quite so familiar.

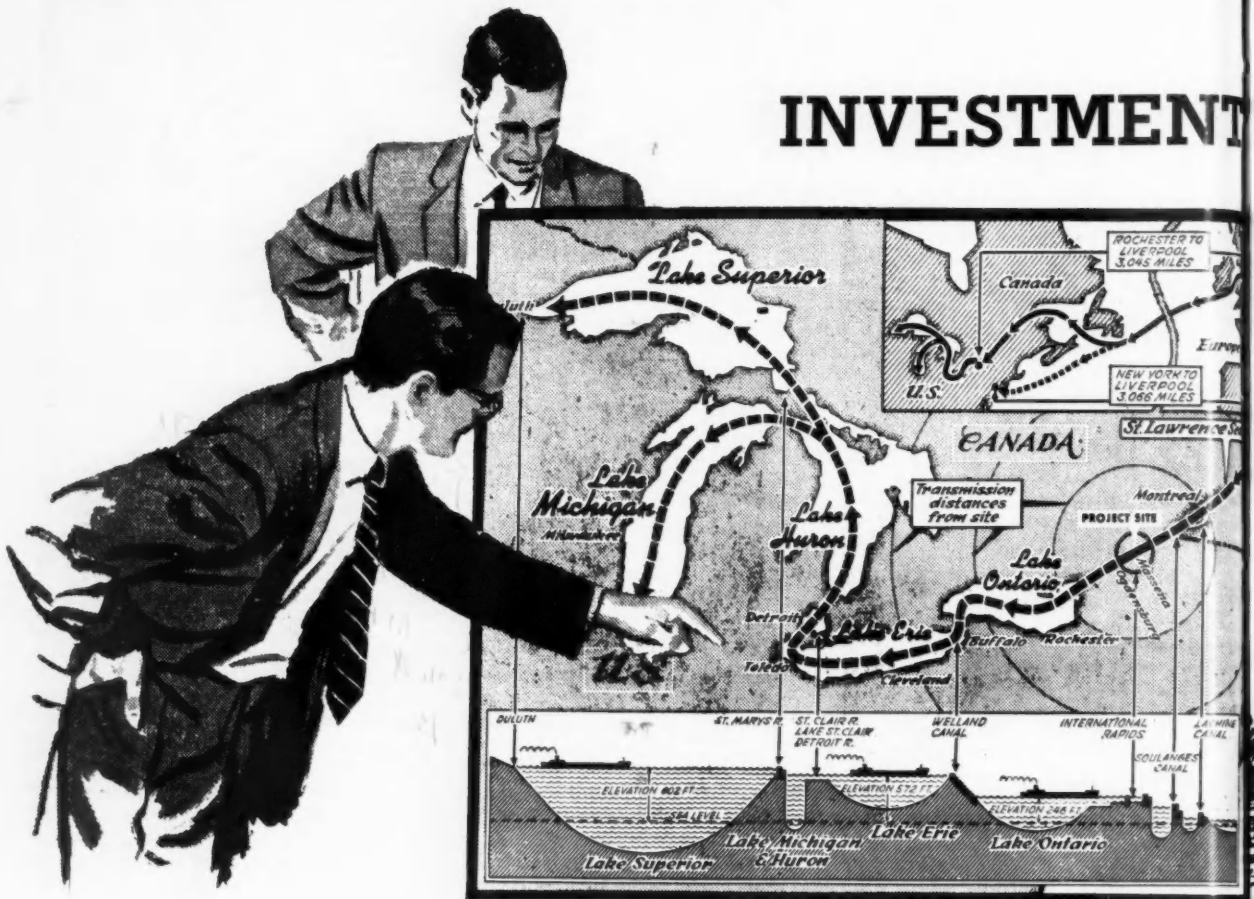
Air Reduction, as the second-largest producer of industrial oxygen, acetylene and metal-cutting equipment, has been traditionally associated with the steel industry. A generation ago this stock was a market favorite, but for many years, it must be

admitted, the company had been a little somnolent, and has certainly lagged far behind the progress of other chemical manufacturers. Since 1936, in fact — just after its most recent split — the stock has drifted generally downhill. Now, however, the prospect looks definitely improved. Some diversification has been accomplished. Sales and earnings have both shown a steady upward trend since 1950, and last year's decline in net income per share to \$3.44 from \$4.31 was not excessive considering the industrial character of Air Reduction's market. The stock still cannot qualify as a definite growth issue, but seems likely to hold on to the improvement that has already been accomplished.

Corning Glass, on the other hand, has already in a relatively brief period, won a strong position as one of the outstanding growth issues on the market; its sales have more than tripled since World War II and earnings have expanded even more rapidly, although they have slowed down in recent years. The company is engaged primarily in the manufacture of industrial glassware with special electrical and chemical qualities, although it does have consumer divisions as well. Besides foreign subsidiaries in Argentina, Brazil and Mexico, Corning has diversified through the establishment of affiliates jointly owned with Pittsburgh Plate Glass, with Dow Chemical, with Owens-Illinois and with Sylvania Electric, for the cooperative development and manufacture of products in fields of overlapping interest. Corning last split its stock in January 1955. The current price/earnings ratio is extremely high and income hardly more than nominal, but the issue is attractive for patient, growth-oriented investors.

Emerson Electric is an example of companies that show some proclivity to split at a lower level; its last split occurred in September 1956 when the old stock reached only 37. (Please turn to page 170)

INVESTMENT



THE inauguration of a new economic era in the history of the United States, and more especially in that of some 12 states and parts of 5 other states tributary to the Great Lakes, may be signalled when Queen Elizabeth and President Eisenhower participate in the formal opening of the Great Lakes - St. Lawrence Seaway on June 26. That the all-water route to Europe and other overseas regions will have significant repercussions upon freight rates within the United States and in part, upon the direction of traffic movement, namely from east-west to north-south, was pointed out in the issue of this magazine for April 13, 1957. What may lie ahead for investors desirous of profiting by the prospect of improved trading conditions must, of course, remain at this time purely speculative. But in the light of experience and certain facts at hand, such speculation can be set forth with a degree of confidence which gives it substantial realism.

Fabulously Rich in Natural Resources

The area immediately concerned lies within an arc which begins in eastern Montana, swings south-eastward across Wyoming and Colorado, thence in an easterly and northeasterly direction terminating in extreme western New York State. Inside this

limiting line is concentrated perhaps the richest assortment of natural resources within any comparable region of the earth. Nowhere else is there such an abundance of iron ore, coal, fertile agricultural land, water supply, and favorable climate, so readily accessible. Indicative of its productivity is the fact that of the total production in the United States, this area yields roughly, 80 per cent of the iron ore, 40 per cent of the coal, 61 per cent of the wheat, 71 per cent of the corn, 69 per cent of the dairy products, 75 per cent of the steel, 61 per cent of the machinery, 44 per cent of the chemicals and 84 per cent of the motor vehicles.

A New Day

In an environment like this there must still be abundant opportunities for judicious investment in activities under sound management. Add to this setting the opening of an effective deep-sea route to all continents and the prospect becomes even brighter. In our enthusiasm for this new day, however, we should not entertain the idea that a boom development is imminent and all investments are therefore certain to yield returns. The seaway will be only one, although an important one, of a number of elements contributing to the progress of the

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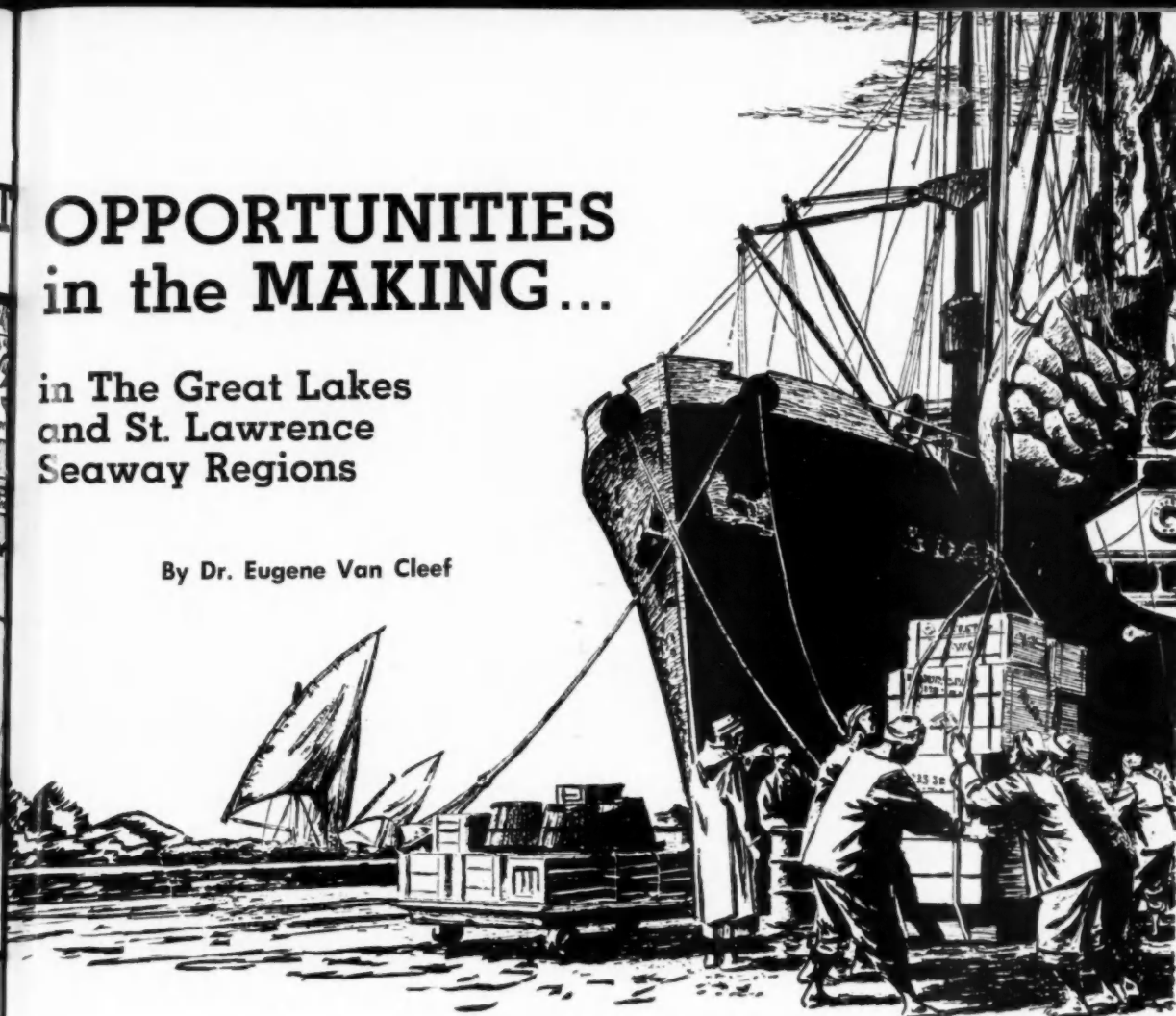
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OPPORTUNITIES in the MAKING...

in The Great Lakes and St. Lawrence Seaway Regions

By Dr. Eugene Van Cleef



region and as such it may not always be possible to differentiate its role from the others. (See charts in this article.)

Two beneficial reactions to the seaway may be expected, (1) Direct, and (2) Indirect.

Direct benefits should accrue to those organizations which produce goods for export or which import raw materials for processing or import commodities for direct consumer purchase.

Indirect advantages should be realized by those who render services, such as transportation operators, brokers, bankers, laborers, and power companies.

Then too, firms engaged only in domestic trade may benefit from incidental transportation rate adjustments, on freight that is not involved in overseas trade and from other aspects to be noted later.

To Benefit the Most

The *steel industry* undoubtedly will gain most from the opening of the seaway. As is now well known, these interests have been the principal agents responsible for the recent quick action which has led to the waterway improvement after a delay of close to a half century. The tremendous increase in

steel capacity in the interior area adjacent to the Great Lakes is revealed in Table 1.

Table 1
Annual Steel Producing Capacity¹ in States Tributary to the Great Lakes.

(Net tons of Raw Steel)

	January 1, 1949	January 1, 1959
Illinois	8,314,020	12,389,960
Indiana	11,070,300	18,440,500
Michigan	4,055,190	7,941,600
Minnesota	690,000	973,000
W. New York	4,139,900	7,347,920
Ohio	19,210,000	28,861,680
W. Pennsylvania	23,693,030	27,176,530
Kentucky ²	1,328,000	1,813,550
West Virginia ²	2,376,000	3,410,000

¹—A distinction is made between capacity and production. Current U. S. capacity is significantly greater than the industry's highest production in any single year.

²—Because production takes place in these states in close proximity to their boundaries with Indiana and Ohio, respectively, they are included, in this instance, among the states tributary to the Great Lakes.

(From Steel Facts, American Iron and Steel Institute.)

It is not possible to state how much of this increase is attributable to improved accessibility to the Quebec-Labrador ore deposits. No doubt the "Cold War" has been a factor, as well as the demands arising from a substantial growth in the national population. The fact remains, however, that a substantial increase (44.7 per cent) in the course of the past ten years, has occurred. *What is more, there is no reason to expect a reversal in the trend, now that a continued supply of high grade ore, up to 65 per cent purity, is assured in quantities, which can be transported at a relatively low cost.*

Steel industry mills along the lakes will not only benefit from easy access to the new ore but they will save freight costs on their direct importation of a number of chemicals associated with the manufacturing process. To augment domestic supplies, nickel, tin, tungsten, and manganese are among the essential items. With improved accessibility and consequent freight and handling savings, costs of production can be held down and marketability of the finished product enhanced.

Although the steel industry reflects demands made by users who process the raw product for further use, stabilization of the industry in the Great Lakes region by virtue of dependable iron ore and other raw material supplies is certain to encourage manufacturers dependent upon steel, to plan their own growth with renewed confidence. This, in turn, should increase demands for raw steel. Assuming good management by both steel producers and processors of finished commodities, investors in these operating companies should not only feel a greater sense of security but they may well find opportunities to purchase stock in new establishments founded to meet the demands of an ever growing market.

Machinery

Among the many industries dependent upon steel are those which produce machinery. According to the U. S. Census of Manufacturers for 1956, machinery products based on value, rank first among all manufactures for the combined states of Ohio, Illinois, Michigan, Indiana, and Wisconsin. This total represents 44.6 per cent of the total machinery manufactured for the nation. If to this be added production in the remainder of the 17 states included in the Great Lakes Region, the percentage rises even higher, upwards of sixty per cent or more.

Manufacturers of machinery have always shown interest in the world market. Most of their shipments have gone by rail to seaboard ports. For those located in lake ports or within relatively short

distances of them, the cost of transportation can be expected to play a direct role in improving their competitive position. When we refer to "competitive position" we have in mind not only the relation of Great Lakes producers to those located in other regions of this country, but also to competitors in other parts of the world. *Chicago manufacturers point to a savings, all water to Rotterdam, versus rail and water via the Atlantic seaboard, of 23 per cent on small industrial machinery; on agricultural implements the savings is 43 per cent. On road building machinery shipped to Great Britain, the freight differential is 20 per cent. From Cleveland, Ohio, to Antwerp, the savings on addressing machines shipped via the Seaway is 25 per cent under the cost via New York.*

Savings and Profits

These freight savings combined with those on imports of elements that enter into the manufacturing process, mean of course, a stimulus to growth and increased output. Under efficient management monetary returns should rise. It is not possible, nor even desirable to try to single out a particular manufacturer or a particular item as certain to yield gains. So much is dependent upon the policies pursued by the owners or directors of an organization. We would not be safe in stating that organizations which manufacture machine tools, machinery for moving road-building materials, agricultural machinery, electrical apparatus, or mining ma-

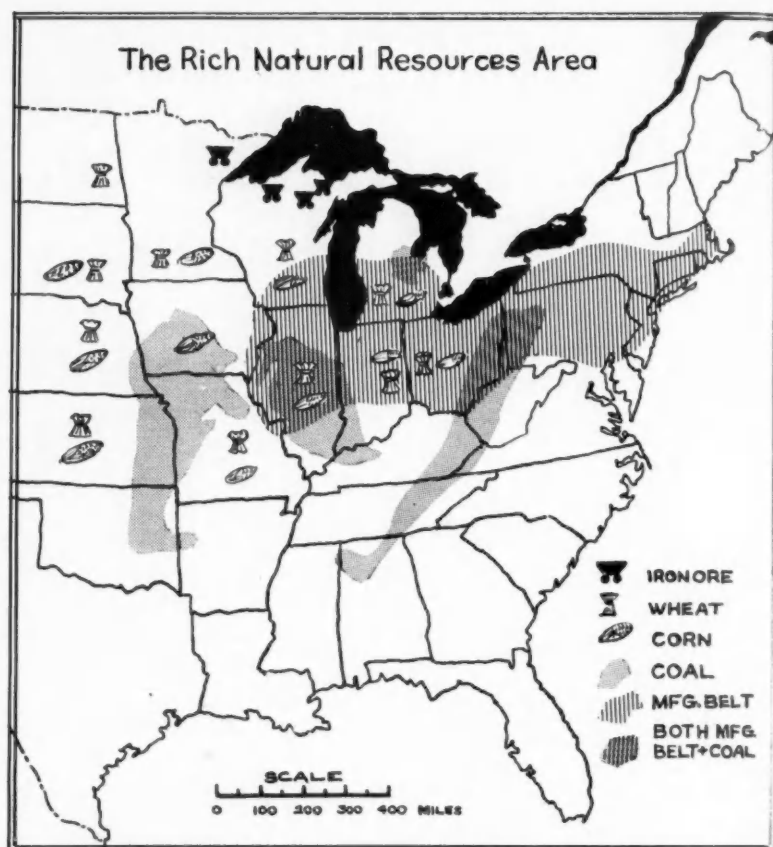


Chart 1

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chinery are among those in which investment would be promising, based merely upon the fact that they now enjoy a fair export business. Nor dare we be certain that in the light of the convenience offered by the Seaway these producers ought to do better. There are too many intangibles to guarantee the verification of any such forecast. Our purpose is only to suggest directions in which investors should look and from that point forward they must apply such acumen as they may possess.

Chemical Industry Imports

Another field of outstanding importance in the Great Lakes Region is the chemical industry, both raw and finished products, of which there are a legion. It would be hard to name a chemical not in demand in this region which constitutes so large a part of the American Manufacturing Belt.

Some idea of the role which the Seaway may have in facilitating the importation of those chemicals which are now imported by this route may be gained from recent data. The value of chemicals and related products imported in 1956, via the Seaway was \$1,383,636, equal to 1.7 per cent of all imports via this route. In view of the fact that the Seaway was still not available to large vessels, was not easy to navigate, and port facilities along the shores of the Great Lakes were not what they will be ultimately, this figure is a good omen for the

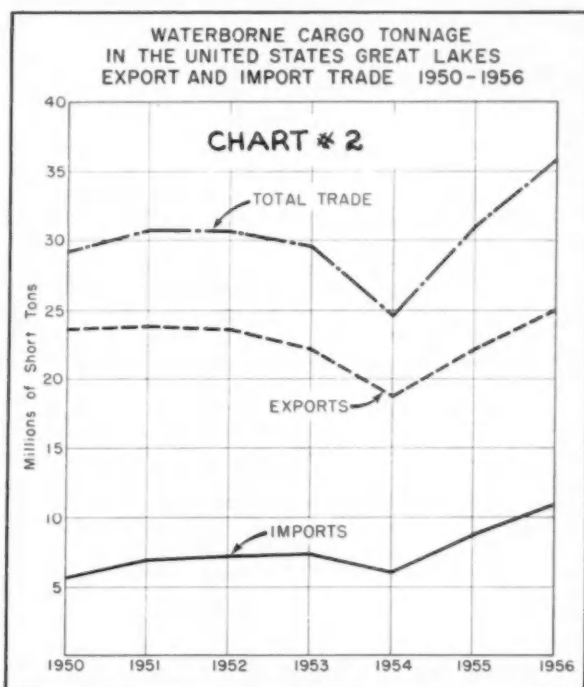
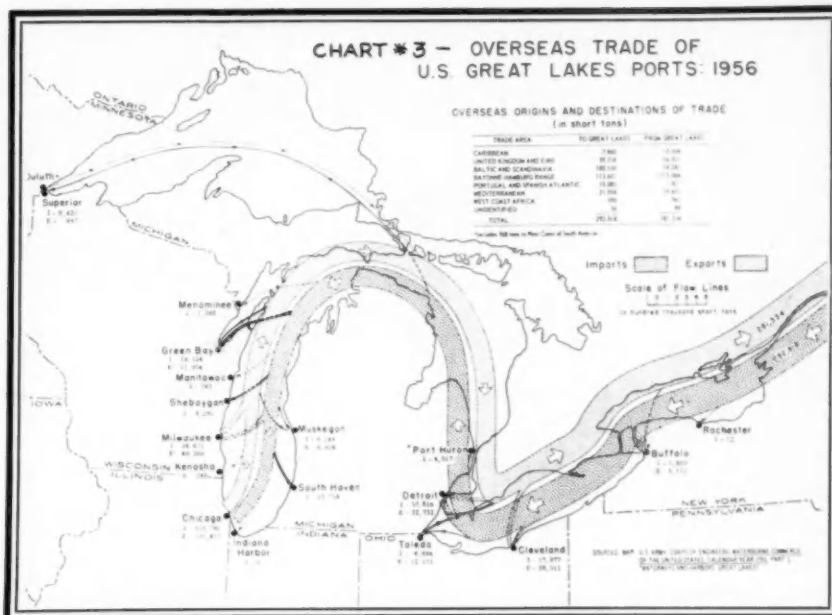


Table 2
Dollar Value of Overseas Exports via the Great Lakes — 1956

Animal oils and fats, edible	\$10,256,215
Motor vehicles, parts and accessories	13,748,386
Construction, mining machinery and parts	7,662,815
Meat and products	4,383,844
Chemical specialties	4,086,567
Electrical machinery and apparatus	2,585,960
Cheese	1,768,138
Rolled and finished steel mill products	1,761,654

Dollar Value of Overseas Imports via the Great Lakes — 1956

Distilled spirits, malt liquors, and wines	12,743,084
Glass and glass products	4,631,891
Wood pulp	3,374,356
Nickel ore, concentrates and scrap	2,500,979
Tools and basic hardware	2,176,804
Standard newsprint paper	1,837,592
Hides and skins, raw	1,152,407
Building cement	1,139,465

A few among the many items in overseas Seaway commerce illustrate something of the diversity of the commodities involved. The dollar values in 1956, three years before the opening of the waterway to deep draft vessels, portends what may be ahead by way of much greater activity and the opportunities for investment.

Data from, Bureau of the Census, prepared for the Great Lakes Commission.

future. If to the figure cited, be added dyeing and tanning materials, oils, fats, waxes, gums, and resins, and a miscellany of products which can be classified as chemicals depending upon their use, the total value of imports is increased by several millions of dollars.

Exports

In the realm of exports of chemicals and related products, shipments via the Seaway, in 1956, were valued at \$7,143,385, equalling 6.5 percent of the total of commodities (Please turn to page 175)



Inside Washington

By "VERITAS"

FEDERAL BUDGETS for Fiscal Years 1961 and 1962 will have their size determined by what Congress comes up with in its current debate to decide income and outgo for the 1960 Fiscal Year, which begins in little more than two months. Even if Congress accepts the President's balanced budget for 1960, says Budget Director Maurice Stans, there is enough built-in uncontrollable momentum in the \$77 billion level to raise total expenditures in Fiscal 1961 by \$2.3 billion. This will result from an inevitable

increase in interest costs, the likelihood that farm programs (whatever their makeup) will cost more, water resource projects will be in a heavier-cost area, aviation and outer space expenditures will zoom.

DEFICIT FINANCING will exist next year, says the Federal official who is closest to the data, to the extent that costs go above \$77 billion or income drops below that figure. What is the outlook in that direction? Stans doesn't pretend to know but he directs attention to the fact that there are bills in the committee stage in Congress today which, if enacted into law, would add \$30 billion to the present cost of Federal Government, and reduce income by \$10 billion. "Perhaps some of them would be nice but fortunately most of them won't be given serious consideration. We can't have them without scraping up the means with which to pay them. And I do not believe people want a general tax increase right now." (Nor will they get one!)

WASHINGTON SEES:

That serious revolt against the Senate leadership of Lyndon Johnson of Texas, coming into existence, can be put down as wishful thinking on the part of two groups with different objectives: Republican strategists, whose interest is understandable and Democrats who regard Johnson as a probable aspirant to the Presidential nomination but who are backing other hopefuls.

The Texas Senator has weathered storms before. Each time he came out of the blow a little stronger. It should not be forgotten that he was so severely criticized in his early leadership years that foes made a play on his first name to characterize his tactics. "Lyn' down Johnson" they called him.

Only four Senators have publicly criticized his work this year and two were almost apologetic. The one who started it all, Senator Proxmire of Wisconsin invariably praises the leadership, accepts the decisions, but wants a voice in making them. He probably gives voice to an inner feeling many colleagues have. But Johnson knows his party is split on many fronts. Caucuses, he reasons, afford forums for open fights which can be avoided by private talk-outs. He has such sessions almost daily, sometimes with as many as 25 democratic colleagues, alone or in groups of varying size. He could on an hour's notice turn any day's session into a triumph of adulation in which might call on an array of respected talent that would smother the articulate opposition.

SENATOR BYRD'S Finance Committee estimates a deficit next year of at least \$1.2 billion — even if President Eisenhower's budget were to be accepted in toto. If disbursements go to the \$80 billion figure commonly used in projections for next Fiscal Year, the deficit would be \$4.2 billion. This assumes there will be no increase voted in postage rates (a fair assumption), and contemplates no change — up or down — in Federal tax. It rules out the increase in motor fuel taxes on which President Eisenhower had relied to bring a precarious balance over the black line.

DEPLETION allowances for income tax purposes on production of oil and natural gas are almost certain to remain at 27½ per cent, which is the figure that has withstood attack since it was established in 1926. It applies only to producing, and not to income from refining, transportation and marketing. It can be shown to be a minor percentage of the total income of the operating companies. Because it may not in any event exceed 50 per cent of net income and other factors, the allowance actually runs about 15 per cent.

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As We Go To Press

Unemployment isn't something that will go away if ignored, nor is it a poser that will be solved by recitation of data of general applicability but which do not of necessity cover all situations. It is possible to show by official and privately-collected statistics that the country is better off today than at any time in the past 18 months. But that is meaningless to 267 large and small industrial areas in America where joblessness was a continuing crisis, in March. The U.S. Department of Labor collected its reports and drew from them the fact that the industrial areas with more than 6 per cent of their labor pool untapped increased by 76 over March 1938. That month is regarded as the depression's low point. The breakdown shows that 6 per cent-plus idleness prevailed in 74 of the 149 major industrial zones.

Of the 74 major industrial areas classified as having substantial unemployment, 46 had more than 6 per cent

jobless; 17 had more than 9 per cent seeking work; and 11 had unemployment of more than 12 per cent. The preliminary statistics of jobless in February showed 4.7 million unemployed, making it the worst February since the end of World War 2. Industrial production, meanwhile, made only a three-point gain in the past three months, compared to a 15-point advance in the preceding 7 months, according to Federal Reserve Board studies. The 11 hardest-hit areas are Detroit and Muskegon, Mich.; Altoona, Erie, Johnstown, Scranton, and the Wilkes-Barre-Hazleton area, Pennsylvania; Huntington and Ashland, W. Va.; and Mayaguez and Ponce, Puerto Rico. Extended unemployment compensation voted by Congress will be offset to some extent when schools close for the summer months.

Labor Union Reform Bill — It would appear safe at this point to forecast that Congress will pass a labor union reform bill substantially as proposed by Senator John F. Kennedy and acceptable to organized labor. That a public housing bill will be enacted seems assured, but it will be a compromise between the revived New Deal method and President Eisenhower's draft. If it is otherwise, Ike will veto it. Whether Congress will override is anybody's bet. Area redevelopment will be indorsed by Congress with funds of about \$400 million to be spent. Ike's token program is being ignored. Here, again, a veto is in prospect and the action by Congress on a vote to override probably will set a pattern. If the President wins on the housing bill, he'll probably win on area redevelopment too.

Reason is that the same basic issue will be at stake: whether the already assured unbalance of the budget should be aggravated, or an attempt made to come close to living within the national means.

Payroll bills in the congressional hopper are numerous and various. Only three were receiving the degree of consideration that suggests they'll ever come to a vote and in no case is passage taken for granted, except for the one extending unemployment compensation for those already on the rolls as of March 31. That has become law. Another would insure the jobless 50 per cent of overage pay for a 39-week period. This has some bipartisan support but the backing doesn't shape up as influential. Extension of the Fair Labor Standards (wage-hour) Act will be hotly debated. The Labor Bloc proposes to place several million additional persons under the protection of the law and increase the minimum wage from \$1 to \$1.25 an hour. The Administration will not oppose limited broadening of coverage, will oppose the higher rate of pay. The complications which stalled a similar measure last year are present today and the outlook, therefore, is the same.

► The House has completed hearings and the Senate is droning through on an aid-to-education bill which eventually would cost \$4.7 billion in Federal grants annually. Unless every sign, and every poll mis-carries, the hearings will be wasted time. Expansion of the Civil Rights Bill is the subject of hearings but the blast against the measure won't come unless the bill gets

to the floors of the House and Senate. Southern members have made out a good case against further Federal intervention, citing the military occupation of Little Rock, Ark., and giving constitutionally-minded northern members the "It can happen here!" chills.

The Taft-Hartley Act — Amendment of the Act, a hardy perennial which labor-minded members sponsor and talk about by way of repaying their debt for votes cast at the election booths, is headed for the usual end: inaction. This year there is less talk of wiping out the entire Act and more concentration on the provision which permits states to pass right-to-work (without joining a labor union) laws. The Senate Labor Committee has appointed a commission of experts to propose such changes, if any, as they believe would improve the statute. The report is due sometime in May. Naturally it will be too late to attempt legislation implementing the ideas put forth by the committee. There is no assurance that Labor will be interested: an even tighter labor-management Act might be proposed!

Broadening of the Social Security Act — in order to make hospital and nursing care available to beneficiaries is involved in a measure written by Rep. Aime Forand, a top-ranking member of the ways & means committee, which has jurisdiction. In spite of Forand's influence the bill will not get off the deck. The Rhode Island member tried to argue his associates into calendaring his proposition for hearing. Failing that, he lit into the committee publicly. That only served to insure that the draft will stay in the pigeonhole. Bills to limit the authority of the Supreme Court of the United States must be watered down before there is any chance of indorsement. A thinned version is ready for House vote. But the sponsors will not settle for trifles, and won't get more. If the Senate and House went as far as the more militant backers demand, a comic opera situation would develop: The Supreme Court, citing the plain language of the U.S. Constitution, would rule the laws unconstitutional.

Outlook For Other Bills — Atoms-for-peace will get a nod of approval, provided the cost stays down; railroad pensions probably will be increased, adding to the already too-high transportation bill; TVA self-

financing, by sale of revenue bonds, seems doomed, and if a bill should squeeze through it will take from TVA about as much as it gives; the Mutual Security Bill is being viewed with jaundiced eyes and there is every likelihood of some reduction in the total amount, but the cut will not be deep enough to imply a change of national attitude toward foreign aid; public works legislation will be confined to the normal flood control and navigable stream improvement projects plus an airport construction bill. In the case of the airport bill, Congress and the White House are poles apart on objective and amount to be spent. Veto of Capitol Hill action is certain unless the lawmakers drop their sights moneywise. Ike should win this one handily.

Pending Tax Measures — Tax reduction and tax increase are conversation pieces in congress, nothing more. The President, the Secretary of the Treasury and other key men have dared congress to increase taxes to cover all appropriations they make in excess of Ike's budget. There are various measures pending to close tax loopholes and require withholding of taxes on dividend and interest payments. There is one bill (which won't pass) providing that professional and other self-employed persons be allowed to defer tax payments on a percentage of their incomes which they deposit in personal retirement funds. Organized labor is deeply into this issue: proposes re-examination of dividend income taxation, to increase the rate; wants congress to slash depletion allowances for extractors of natural resources; asks higher rates on capital gains tax.

Pitfalls in Area Redevelopment Bill — The Administration's statisticians are loading blockbusters to meet the area redevelopment bill when it reaches the White House, as is expected. They have gathered material which will make it more difficult for congressmen to claim an accomplishment for their districts than it will be for the opposition to show (with a few outstanding exceptions) that these congressmen voted their constituents a lemon and a tax burden. A total of 24 states would receive absolutely nothing under the proposed bill, although they would have to contribute to its tax cost. Of the 26 states that would be eligible to participate, only 11 would receive more in benefits than they would pay as their tax.

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Hardy fishing boat family in Hong Kong Harbor.

Hong Kong's stepped-up building program provides good living quarters for public servants.



Promenaders on Queens Road, Central—one of the main streets in Victoria.



HONG KONG...

● POST-WAR ECONOMIC MIRACLE

By Stewart Hensley

- ▶ The enormous growth under boon of free enterprise
- ▶ Achievement without outside aid points up need for greater scrutiny in making foreign loans
- ▶ The importance of Hong Kong to Britain — its usefulness to the Chinese Communists
- ▶ Should a political show-down come — when — and if.

THE British Crown Colony of Hong Kong, perched precariously on the edge of the Chinese Communist land mass, continues to plan and work for what it hopes will be an even brighter economic future.

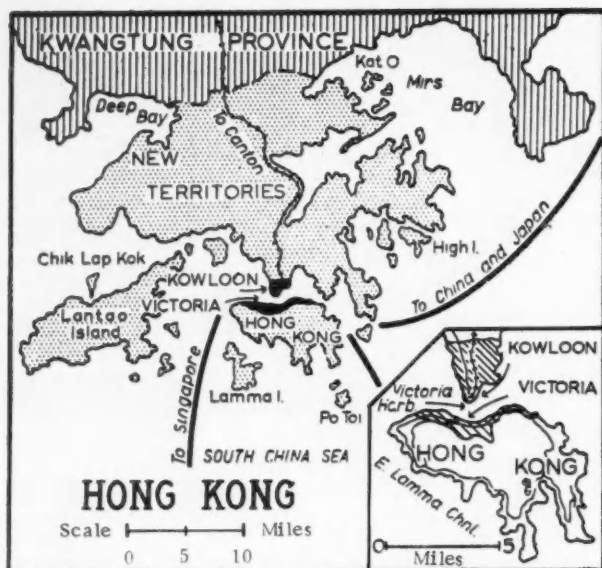
Despite political turmoil in Asia and the increasing complexities of international commerce, the Colony's businessmen—British and Chinese alike—seem confident they can improve on the economic miracle they have wrought since the end of World War II in 1945.

One of the principal factors in Hong Kong's remarkable post-war recovery, which confounded prophets of economic stagnation, has been an industrial revolution carried out by agile and astute entrepreneurs operating within a free market economy with a minimum of government interference.

This industrial revolution, complementing the Colony's traditional role as entrepot, mart and storehouse for trade with Asia, has become a principal source of the prosperity Hong Kong enjoys today.

The rapid industrial development was all the more remarkable because it was achieved in the absence of virtually all the factors usually considered essential. Hong Kong has no raw materials worth mentioning and no local source of power such as coal or oil. It suffers a persistent and serious shortage of water and does not produce enough agricultural products to satisfy its own needs.

The Colony's post-war recovery also has been accomplished in the lengthening shadow of Communist domination of the mainland, which continues to cast a pall over Hong Kong's long-term future but appears to offer no immediate threat.



Peking Finds British Control Too Useful to Disturb at Present

Hong Kong officials and businessmen assume that eventually there may be some sort of political showdown with Communist China over control of the Colony. But they appear to believe that the Peking Government has no plans to bother them by direct action within the "foreseeable future." And the consensus seems to be that the "foreseeable future" is time enough in a situation where an astute investor in construction activity has a good chance of recovering his entire capital in five years.

The feeling is that the Chinese Communist regime finds Hong Kong under British control sufficiently useful as a financial clearing house and point of contact with the outside world to avoid upsetting existing political arrangements.

Located in Hong Kong is a huge branch of the Bank of China, which handles Communist China's financial transactions throughout the world. The Colony provides the Peking Government with a point of entry into the respectable world of international trade. The Communists appear content to leave matters as they stand for the time being, at least.

There is no agitation among the Colony's approximately three million inhabitants, overwhelmingly Chinese, for greater self-rule upon which the Communists might seize as a pretext for action.

Britain and Hong Kong

Britain acquired the rocky island of Hong Kong by treaty in 1842. During the first years of British control, opium was the foundation of its trade. In 1849 it became the chief shipping point for coolies being sent to the gold fields in Australia and California.

Subsequently it grew into the great entrepot for trade between Asia and the West. Up to the time of the Japanese attack in December 1941, its four-

ishing economy was based principally on this role of broker and supplier on one of the busiest trade routes on the globe.

An important part of the Crown Colony and its economy is Kowloon, on a mainland peninsula less than a mile directly across the harbor from the island of Hong Kong.

Kowloon was acquired by Britain under a 99-year lease negotiated with China in 1898. Also included in the lease were numerous nearby small islands.

Much of Hong Kong's new industry is located in the 3½ square miles of leased land in Kowloon. This naturally gives rise to some concern over the attitude of Communist China toward the old lease, nominally scheduled to remain in effect until 1997.

The Chinese Communist government, shortly after gaining control of the mainland, said it wanted to "review" such treaties and leases, implying that it might renege on deals made by previous Chinese regimes.

However, Peking has not mentioned the subject recently and the British are letting the sleeping dog lie.

Mindful of the political uncertainties facing them but confident of their ability to work things out some way if matters worsen, the businessmen of Hong Kong have proceeded to alter the character of the economy to fit the changing world in which they find themselves.

Recognition of Red China

Britain, then under a Labor Government, hastened to extend diplomatic recognition to the Chinese Communists soon after they had pushed Chiang Kai-shek from the mainland in 1949. The British objectives were considered to be two: (1) To try to salvage their large investment on the mainland and (2) to forestall Communist pressure on Hong Kong.

HONG KONG: Direction of Trade *

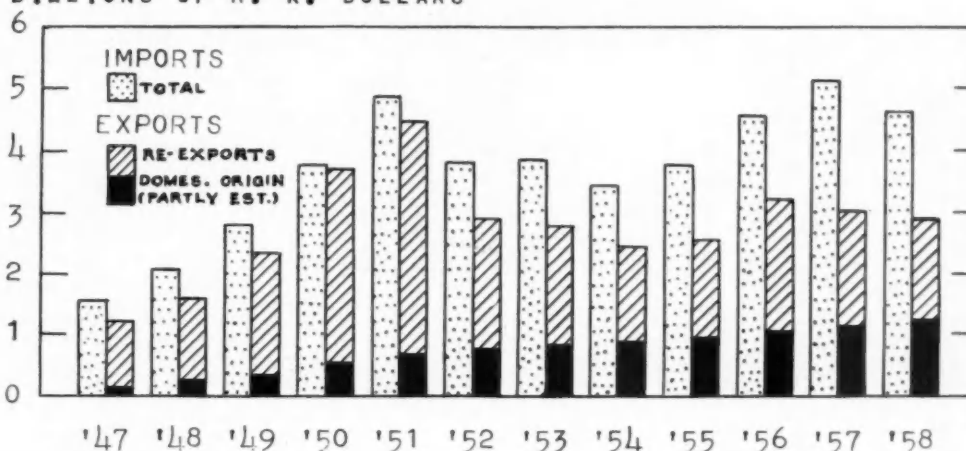
(Millions of U.S. Dollars)

	1952	1956	1957	1958 10 mos.
Total Exports	510	563	528	420
Of which to ASIA	420	383	315	221
Malaya	73	65	65	54
Indonesia	92	88	55	29
Thailand	42	56	33	29
Japan	22	56	40	16
China	91	24	22	21
WESTERN EUROPE	39	74	83	80
United Kingdom	14	52	59	56
UNITED STATES	20	26	40	46
Total Imports:	663	799	901	649
Of which from ASIA	376	469	490	385
Malaya	29	27	18	15
Indonesia	5	10	22	13
Thailand	36	32	34	22
Japan	84	142	134	86
China	145	182	198	194
WESTERN EUROPE	201	188	245	152
United Kingdom	82	90	117	76
UNITED STATES	39	74	94	65

* Excluding gold.

HONG KONG — FOREIGN TRADE

BILLIONS OF H. K. DOLLARS



Their mainland investments went down the drain anyway, but Hong Kong continues to survive as a striking example of free enterprise flourishing on the edge of the Communist world, where there is rigid state control of all trade.

Astute Entrepreneurs Make Hong Kong Bridge Between East and West

Hong Kong, with its strategic location athwart a great trade route, long relied principally upon its role as entrepot for most of its income. Its duty-free port, excellent banking, insurance and warehousing facilities, and efficient ship repair and provisioning services supported a flourishing economy. They still make it one of the major trading centers in international commerce.

However, the changed conditions resulting from World War II made it necessary for the Colony to seek new sources of income or face economic stagnation.

There had been some beginning made in the establishment of local industry after 1932 when the adoption of the British Commonwealth preference system gave Hong Kong favored access to wider markets.

But it was not until the end of the war in 1945 that dire necessity forced the Colony's businessmen to undertake intensive efforts to find new sources of income.

When the Union Jack was raised again over Hong Kong in August 1945, there were immediate efforts to resume commerce. Private trading was soon re-established and for two years import-export trade through Hong Kong flourished to satisfy the pent-up need for capital and consumer goods throughout the Far East.

But beginning in 1947, fear of a recession grew because of the unsettled China situation. The hard-pressed Chinese Nationalists imposed severe import restrictions and the fighting in North China virtually ruined Hong Kong's market there.

Hong Kong merchants turned then to Southeast Asia and staved off depression with a steady business there, much of it done by diverting cargoes originally destined for China.

After the Nationalists withdrew from the mainland, Hong Kong's trade with Communist China picked up considerably. This new trade with China, plus increased commercial volume in Southeast Asia and the beginnings of industrialization in the Colony gave Hong Kong a spectacular but somewhat short-lived boom which resulted in trade reaching an all-time value record of HK\$9,303,000,000 in 1951.

Shift to Industrialization Marks Recent Development

But three factors soon transformed the Colony's trade picture completely:

1. The Western powers, engaged under the United Nations banner in the Korean War, imposed trade restrictions on Red China;

2. Communist China, partly as a consequence of this embargo, changed its trade policy and entered into Communist bloc barter deals which are still used; and

3. Hordes of Chinese refugees began arriving from China proper, swelling Hong Kong's population.

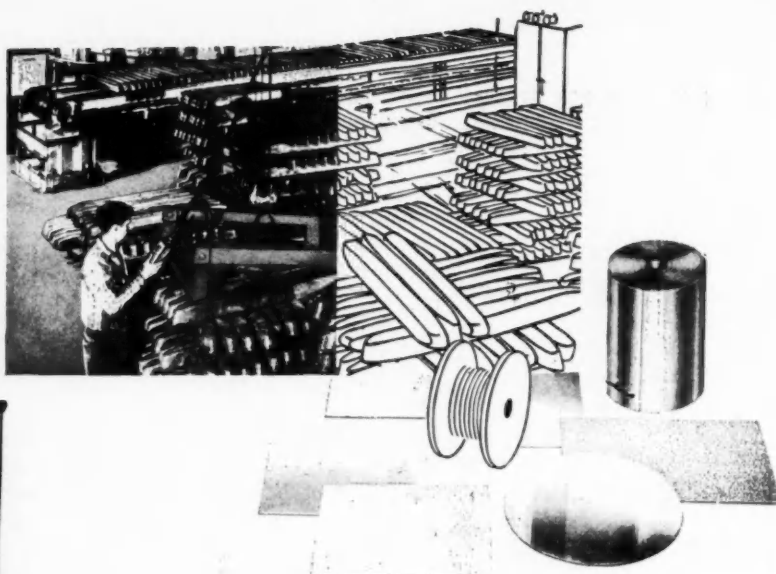
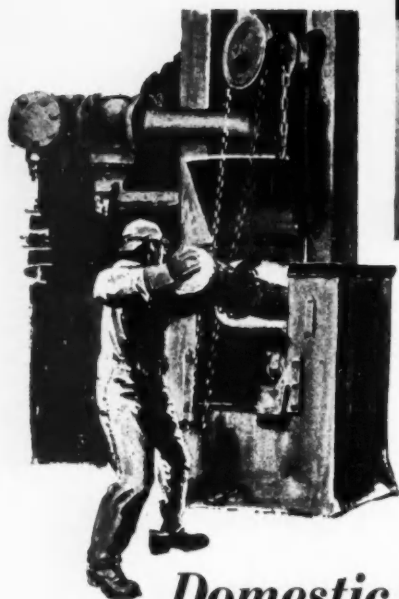
The civilian population of Hong Kong, which stood at 1,600,000 in 1946, had risen to 2,360,000 by April 1950 and was still mounting.

This vast army of refugees could not be absorbed on the land because there was none available. They turned their hands to new trades, some of which formed the basis for the new industrialization.

A large flow of capital already had begun to come from the mainland.

Thus it was from China proper that the main ingredients of the Hong Kong industrial revolution came in the form of capital, entrepreneurs and labor.

(Please turn to page 179)



Domestic and International Outlook for Non-Ferrous Metals

Looking to 1959-60

— And varying status for the individual companies

By Caleb Fay

COPPER . . . Greater stability in price picture — possible rise — looking ahead at current and intermediate import position — longer range prospects — effect of competition from imported fabricated products.

ZINC and METAL PRODUCERS Problems on prices — need for new markets — where imports and fabricated products threaten markets here.

ALUMINUM . . . Effect of intensified new capacity with demand in balance — meeting prices under new wage demands — accelerating new uses for the metal — competition from imports and fabricated products using cheaper metals and having lower wage costs — why Russian dumping can be discounted.

TO DECLARE that 1959 will prove to be a better year than 1958 for non-ferrous metal producers would be cold comfort indeed. Fortunately there is every reason to anticipate that the upturn from that unlamented year will be marked. Evidence is abundant that after meager profits, or in many cases, actual losses that characterized the first half of 1958, a sudden reversal of business sentiment that started in the third quarter became so accelerated in the final months of the year that fourth quarter results alone in many cases were better than in the pre-

ceding nine months period. Such first quarter earnings as have been released give an easy, if not entirely adequate, explanation for the rise in the market price of these stocks.

This is not to imply that all will be easy sailing in the balance of the year. Lead and zinc producers have gained as yet little benefit from the remedial program instituted by the Government for their relief through partial limitation of imports by the quota system. Aluminum producers, while gratified over the increase in shipments of their metal to consumers over the comparable period of 1958, are confronted with the problem of present huge overcapacity and frozen prices through the first half of this year. On the other hand copper producers at the moment are in a better frame of mind, enjoying a price about 25 per cent higher than the low point of 25 cents a pound that prevailed for many months in 1958. The better price is likely to prevail for some months ahead.

The Strike Threat

The cloud ahead of course is the possibility — some say the near certainty — of a steel strike this summer, which would in all probability extend into

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Rating

Leading Non-Ferrous Metal Companies

	—Earnings Per Share—			—Dividends Per Share—			Current Annual Div. *	Recent Price	Div. Yield	Price Range 1958-59
	1956	1957	1958	1956	1957	1958				
Aluminium, Ltd.	\$1.85	\$1.37	\$.74	\$.78	\$.87	\$.75	\$.70	28	2.5%	38½-26
Aluminum Co. of America	4.24	3.55	1.96	1.20	1.20	1.20	1.20	84	1.4	96½-60½
American Metal Climax	2.68	1.95	1.27	1.75 ¹	1.20	1.20	1.20	28	4.2	34½-17½
American Smelting & Refining	6.67	3.94	2.53	3.50	3.00	1.50	1.00	49	2.0	56½-35¼
American Zinc, Lead & Smelt.	2.74	1.07	.96	1.00	1.00	.62½	.50	16	3.0	17½-10¼
Anaconda Co.	12.85	4.23	3.15	5.00	3.75	2.00	2.00	68	2.9	74½-60½
Bridgeport Brass Co.	2.83	3.41	2.80	2.50	2.50	1.75	1.50	39	3.8	42¼-27¼
Calumet & Hecla	2.04	1.25	1.49	.80	.80	.80	.80	21	3.8	23 - 9¼
Cerro de Pasco	6.51	2.76	2.75 ⁴	1.60 ¹	1.60 ¹	.90 ¹	1.00	46	2.1	50¼-24¼
Consolidated Mining & Smelting	1.83	1.13	.80 ⁴	1.75	1.60	1.00	1.00	20	5.0	23½-16¼
Copper Range	4.88	1.15	1.38	1.00 ¹	1.00	.50	.50	28	1.7	34½-16½
Eagle-Picher Co.	5.88	4.25	2.08	2.00	2.20	2.20	2.20	47	4.6	48½-27¼
Granby Mining Co. Ltd. ** .....	.72	d .10	d .01	.25	—	—	—	9	—	10½- 4¼
Howe Sound	1.42	d .31	.70	1.00	.20	—	—	17	—	19½- 5¼
Hudson Bay Mining & Smelt.	7.70	2.91	2.68	6.00	4.75	3.00	3.00	58	5.1	66 -40¼
Inspiration Consolidated	7.21	3.15	1.87	5.00	3.25	1.50	2.00	45	4.4	50½-25½
International Nickel	6.50	5.90	2.71	3.75	3.75	2.60	2.60	92	2.8	97¼-70¼
Kaiser Aluminum & Chemical	2.72	1.59	1.43	.86	.90	.90	.90	44	2.0	47¼-23
Kennecott Copper	13.23	7.32	5.37	9.25	6.00	5.00	6.00	110	5.4	117¼-75¼
Magma Copper	6.21	d1.94	.58	2	—	—	—	68	—	78 -31¼
Miami Copper	11.88	3.84	1.50 ⁴	6.25	4.00	1.25	1.50	43	3.4	50¼-24¼
Mueller Brass Co.	4.49	2.26	2.68	2.00	2.00	2.00	1.40	28	5.0	32¼-19½
National Lead	5.23	4.64	3.65	3.25 ¹	3.25	3.25	3.25	114	2.8	117 -84¼
New Jersey Zinc	1.31	.63	.10 ⁴	1.50	1.37½	.30 ³	—	25	—	29½-18½
Phelps Dodge	8.72	4.48	3.75	5.00	4.30	3.00	3.00	62	4.8	70½-37
Revere Copper & Brass	3.66	3.25	.94	2.10	2.10	1.25	1.00	45	2.2	47¼-22¼
Reynolds Metals	3.93	3.28	3.25	.65	.65	.65 ¹	.65 ¹	83	.7	86½-32¼
Rhodesian Selection Trust .....	.26	.17	NA	.26½	.17	.05	.05	2¼	2.0	3 - 1½
St. Joseph Lead	3.88	3.04	1.52	3.00	2.00	1.00	1.00	29	3.4	35¼-22¼
U. S. Smelt. Ref. & Mining	4.50	d1.58	d3.41	3.75	.50 ¹	—	—	34	—	41½-25¼

*—Based on latest 1959 rate.

d—Deficit.

**—Formerly Granby Consol. Mining, Smelt. & Power Co. Ltd.

NA—Not available

1—Plus stock.

2—Paid 5% stock.

3—Dividend action deferred 7/30/58.

4—Estimated.

Aluminium Ltd.: Immediate outlook unfavorable for higher profits but longer term warrants holding for eventual appreciation from present depressed levels. A3

Aluminum Co. of America: World's largest producer. Steadily expanding production facilities. Recently acquired Rome Cable, thus increasing integrated position. Has long term appeal. A2

American Metal Climax: Hard hit by reduced dividend from its Rhodesian stock holdings and lower demand for molybdenum. Well diversified, can be expected to stage strong comeback in 1959. B2

American Smelting & Refining: World's largest smelters. Quotas imposed on lead-zinc imports may impair earnings, but compensated by larger returns from new asbestos mine. Interests world wide. Owns 50% of huge Toquespala project in Peru. B2

American Zinc, Lead & Smelting: Successfully operating new low cost zinc mines in Tennessee even on depressed metal prices. Large interest in important uranium project. C2

Anaconda: Major copper, zinc, uranium and aluminum producer in U.S. with important low cost copper production in Chile. Completely integrated. Increasing interest in aluminum fabrication. B1

Bridgeport Brass: Leading copper and brass fabricator. Entrance into manufacture of aluminum products enhances outlook over coming months. B2

Calumet & Hecla: High-cost copper mines but copper fabricating and uranium operations improve prospects for 1959. B1

Cerro De Pasco: Company's diversification program has lessened dependence on lead and zinc. Operations now integrated with interests in copper and aluminum fabrication. B2

Consolidated Mining & Smelting Co.: Canada's largest smelting company. Controlled by Canadian Pacific Railway. Good long term prospects, steady producer. B2

Copper Range: Owns White Pine mine, impressive ore reserves, also copper fabricator. C1

Eagle Picher: Now principally manufacturing lead-zinc products rather than in mining. Properties are high cost. Operations well diversified. B2

Granby Mining: Deficits reported last two years. Some improvement indicated this year. Stock is highly speculative. C2

Howe Sound: Now largely engaged in industrial activities. Tungsten and manganese mines shut down. May reactivate old copper property in Canada. C2

Hudson Bay Mining & Smelting: Well managed Canadian zinc-copper producer. Strong finances. Good operating record. B2

Inspiration Copper: Large medium cost copper mine. Acquisition of Christmas Copper property adds to ore reserves. Steady producer. B2

International Nickel: World's largest nickel miner, also Canada's largest copper producer. Hard hit by long strike and over supply of nickel but future prospects impressive. A2

Kaiser Aluminum: Fully integrated aluminum producer. Large stock interest held by Kennecott. Expanding output. B2

Kennecott Copper: World's largest copper producer, fully integrated. Important output of gold and molybdenum, owns two-thirds Quebec Iron & Titanium. Strong finances. A2

Magma Copper: Main asset is San Manuel mine, major new copper producer. Stock is highly leveraged. Dividends unlikely until capital loans from Government are repaid. Earnings improving. C2

Miami Copper: Well managed low grade copper mine. Limited reserves. Strong finances and investment portfolio aid in dividend maintenance. C3

Mueller Brass: Moderate sized copper fabricator, also expanded into aluminum. Near term outlook better. B2

National Lead: Wide diversified operations in lead, titanium, nickel, barite and manufactured products give unusual stability to sales and profits. True growth situation. A2

New Jersey Zinc: Expected to make good comeback in 1959 from depressed earnings last year, as result of larger production from new low cost mines. B1

Phelps Dodge: Second largest domestic copper producer, completely integrated. Low cost mines. All production within U.S.A. A2

Revere Copper & Brass: Prominent fabricator of brass, copper, bronze. Has entered on a large scale into primary production of aluminum through joint ownership with Olin Mathieson. Good recovery indicated for current year. B1

Reynolds Metals: Highly aggressive aluminum producer, now ranks next to Alcoa in output. Recently acquired British Aluminium which will permit expansion of sales abroad. B1

Rhodesian Selection Trust: Leading copper miner in Northern Rhodesia. Has large ore reserves; is a low cost producer. This is a speculative foreign issue. C2

St. Joseph Lead: Largest U.S. lead producer, major factor in zinc. Reserves are large. Extensive interests in Canada, Argentina, Morocco. Developing iron mine in Missouri with Bethlehem Steel. B2

U. S. Smelting, Refining & Mining Co.: Has mines and smelters in Utah, presently inoperative. Strong cash position. Has been successful with its oil investments. Stock highly leveraged. C3

Ratings: A—Best grade.

B—Good grade.

C—Speculative.

D—Unattractive.

1—Improved earnings trend.

2—Sustained earnings trend.

3—Lower earnings trend.

the copper and aluminum industries as well. The anticipation of this has been given as a prime cause for the present hectic pace of steel buying, without contradiction from steel executives. No doubt some of the heavy copper buying has been inspired by the same desire to hedge against the risk of a strike at the mines. But if work goes on without interruption, it would find consumers well stocked with inventories, which could make the normally slack summer months extremely dull for producers.

To date there has been less evidence of any real hedge buying of aluminum by consumers, and none at all of lead and zinc. In each case the reason is apparent — plenty of metal is immediately available from producers' stocks.

Current Improved Copper Position

The situation is different for copper. A combination of production cutbacks by domestic and foreign producers, plus a prolonged work stoppage in Rhodesia and at the International Nickel mines in Canada, definitely corrected the unfavorable statistical position of the industry. For the first time in a decade, imports of copper into the U.S. dried up and for a time this country was exporting to copper-hungry Europe. On the London Metal Exchange spot copper sold higher than in New York.

This position was unnatural, as the U.S. is normally a copper importer on balance. In February the rate of deliveries would have exceeded 128,500 tons on a 31 day month. The total mine production plus secondary on the same basis was about 100,000 tons, which probably represents a near peak in output. If this rate continues, it is evident that the balance of 28,500 tons must be imported. Consequently, either the N.Y. price of copper must be at least 1.7 cents higher than London, to provide for the tariff, or London must be that much lower to permit exports to be profitable from abroad. As London is currently quoting about 31 cents for copper, the N.Y. price should be about 32.7-33 cents for parity. Hence, a rise in the producers' price from the present 31½ cents to 32½ cents or a little higher appears indicated.

No Run-Away Copper Price Increase

There is a considerable group who look for substantially higher copper prices during the months ahead and 35 to 40 cents a pound has been mentioned. Their enthusiasm is based on the likelihood of work stoppages at the mines which could create a definite shortage of supply and require heavy imports from abroad to balance. This possibility cannot be ruled out but the chances appear against it. Domestic producers are opposed to a run-away copper market and don't want to encounter again the boom-bust prices that all but wrecked the industry in 1957-8. So far as they possibly can do so, they want to encourage orderly market conditions. A Kennecott official has declared that at 31½ cents copper has reached a point where the industry is losing business, and indicated that at 34 cents the auto makers would switch to aluminum for radiators. And once an important consumer switches to a competing metal, it is frequently a long hard task to woo him back.

Comprehensive Statistics Comparing the Position

Figures are in million dollars except where otherwise stated.	Aluminum Ltd.	Aluminum Co. of America	American Metal Climax
CAPITALIZATION:			
Long Term Debt (Stated Value)	\$ 476.0	\$ 462.7	\$ 11.2
Preferred Stock (Stated Value)	\$ 72.4 ¹	\$ 66.0	\$ 7.4
No. of Common Share Outstanding (000) ..	30,283	20,645	14,165
Capitalization	\$ 685.9	\$ 549.5	\$ 92.6
Total Surplus	\$ 289.0	\$ 600.5	\$ 113.2
INCOME ACCOUNT: Fiscal Year Ended			
Net Sales	12/31/58 \$ 357.8	12/31/58 \$ 753.1	12/31/58 \$ 534.2
Deprec., Depletion, Amort., etc.	\$ 42.2	\$ 65.6	\$ 8.8
Income Taxes	\$ 9.3	\$ 23.4	\$ 7.3
Interest Charges, etc.	\$ 23.4	\$ 17.6	\$.4
Balance for Common	\$ 22.4	\$ 42.8	\$ 17.9
Operating Margin	17.6%	11.5%	3.4%
Net Profit Margin	6.2%	5.6%	3.4%
Percent Earned on Invested Capital	4.5%	6.2%	9.4%
Earned Per Common Share	\$.74	\$ 1.95	\$ 1.27
BALANCE SHEET: Fiscal Year Ended			
Cash and Marketable Securities	12/31/58 \$ 50.5	12/31/58 \$ 77.9	12/31/58 \$ 30.0
Receivables, Net	\$ 169.1	\$ 209.8	\$ 52.6
Inventories, Net	\$ 76.8	\$ 92.2	\$ 25.0
Current Assets	\$ 296.5	\$ 385.3	\$ 119.0
Current Liabilities	\$ 96.0	\$ 92.2	\$ 37.9
Working Capital	\$ 200.5	\$ 293.1	\$ 81.1
Current Ratio (C. A. to C. L.)	3.1	4.1	3.0
Fixed Assets, Net	\$ 935.7	\$ 817.8	\$ 82.7
Total Assets	\$1,273.7	\$1,337.2	\$ 156.1
Cash Assets Per Share	\$ 1.66	\$ 3.77	\$ 2.12
Inventories as Percent of Sales	40.7%	27.8%	9.8%
Inventories as % of Current Assets	57.0%	54.4%	43.9%

¹—Subsidiary preferred stock.

Plenty Of Copper Over The Long Term

Over the longer term, that is for six months to a year ahead, ample supplies of copper appear available on a world basis. Production cutbacks instituted in 1958 have been restored and practically every important producer is now operating at full capacity — if not confronted by a strike. At present world crude output is about 1 per cent larger than world deliveries. More production is coming in, from Anaconda's sensational new El Salvador mine in Chile, from Bancroft in Rhodesia, from Toquepala in Peru, that will increase world output by upwards of 182,000 tons this year. It is doubtful if world consumption will call for more than this, which would represent a 6 per cent increase over 1958.

Copper Producers Do Well

That the copper producers can do very well indeed for their shareholders at 31-32 cents copper with full production admits of no argument. The records made by the principal producers in the fourth quarter of 1958, when the metal averaged 28½ cents a pound gives convincing evidence that present market prices for their shares are not discounting results too highly, when copper is 3 cents a pound higher. For example, Anaconda reported \$1.35 in the October-December quarter. On the present price of copper, per share earnings could increase to an annual rate of \$7.

Comparing the Position of Leading Non-Ferrous Metals Companies

	American Metal Climax	American Smelting & Refining	Anaconda Co.	International Nickel	Kaiser Aluminum & Chemical	Kennecott Copper	National Lead	Phelps Dodge	Revere Copper & Brass	Reynolds Metals
162.7	\$ 11.2	—	\$ 95.5	—	\$ 319.6	\$ 7.0	—	—	\$ 20.8	\$ 368.8
66.0	\$ 7.4	\$ 50.0	—	—	\$ 91.5	—	\$ 34.7	—	—	\$ 37.4
64.5	14,165	5,466	10,714	14,584	14,702	11,053	11,652	10,149	2,627	11,185
49.5	\$ 92.6	\$ 128.1	\$ 631.2	\$ 60.7	\$ 416.0	\$ 81.8	\$ 88.9	\$ 126.7	\$ 61.1	\$ 505.2
100.5	\$ 113.2	\$ 165.0	\$ 347.5	\$ 381.1	\$ 183.8	\$ 690.1	\$ 186.0	\$ 251.4	\$ 41.2	\$ 154.7
31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58
53.1	\$ 534.2	\$ 417.1	\$ 523.1	\$ 322.0	\$ 408.5	\$ 395.3	\$ 457.6	\$ 269.9	\$ 181.7	\$ 445.5
65.6	\$ 8.8	\$ 10.2	\$ 42.8	\$ 13.4	\$ 35.9	\$ 10.3	\$ 11.1	\$ 9.6	\$ 3.7	\$ 25.4
23.4	\$ 7.3	\$ 5.0	\$ 23.1	\$ 20.8	\$ 10.5	\$ 55.2	\$ 39.6	\$ 22.6	\$ 2.8	\$ 27.3
17.6	\$.4	—	\$ 4.0	—	\$ 13.2	—	—	—	\$.8	\$ 15.6
2.8	\$ 17.9	\$ 13.8	\$ 33.8	39.6	\$ 21.0	\$ 60.1	\$ 42.5	\$ 36.4	\$ 2.4	\$ 36.3
11.5%	3.4%	3.4%	11.2%	19.9%	14.7%	27.8%	16.8%	20.3%	8.4%	18.6%
5.6%	3.4%	4.1%	6.4%	12.3%	6.1%	15.2%	9.7%	13.5%	1.3%	8.5%
6.2%	9.4%	5.1%	3.8%	8.9%	4.5%	7.7%	16.0%	9.3%	3.0%	11.8%
1.9%	\$ 1.27	\$ 2.53	\$ 3.16	\$ 2.71	\$ 1.43	\$ 5.44	\$ 3.65	\$ 3.75	\$.94	\$ 3.25
1/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58
7.9	\$ 30.0	\$ 14.5	\$ 51.4	\$ 125.2	\$ 23.7	\$ 192.9	\$ 42.8	\$ 131.1	\$ 12.5	\$ 38.0
9.8	\$ 52.6	\$ 116.7	\$ 85.7	\$ 127.6	\$ 85.8	\$ 99.9	\$ 92.3	\$ 55.0	\$ 39.7	\$ 104.2
2.2	\$ 25.0	\$ 28.5	\$ 45.0	\$ 32.0	\$ 61.6	\$ 30.8	\$ 48.5	\$ 23.3	\$ 14.1	\$ 67.0
5.3	\$ 119.0	\$ 180.5	\$ 241.8	\$ 284.9	\$ 173.5	\$ 356.2	\$ 184.4	\$ 210.9	\$ 67.5	\$ 210.9
2.2	\$ 37.9	\$ 70.3	\$ 62.1	\$ 47.2	\$ 82.2	\$ 50.2	\$ 64.2	\$ 47.5	\$ 18.1	\$ 73.5
3.1	\$ 81.1	\$ 110.2	\$ 179.7	\$ 237.7	\$ 91.3	\$ 306.0	\$ 120.2	\$ 163.4	\$ 49.4	\$ 137.4
4.1	3.0	2.5	3.9	6.0	2.1	7.1	2.8	4.4	3.7	2.8
7.8	\$ 82.7	\$ 152.2	\$ 726.7	\$ 253.8	\$ 572.0	\$ 325.0	\$ 132.0	\$ 148.8	\$ 34.2	\$ 505.7
7.2	\$ 56.1	\$ 427.2	\$ 1,056.6	\$ 547.6	\$ 754.4	\$ 825.6	\$ 361.2	\$ 425.7	\$ 120.4	\$ 830.8
3.77	\$ 2.12	\$ 2.67	\$ 4.80	\$ 8.59	\$ 1.63	\$ 17.45	\$ 3.68	\$ 12.92	\$ 4.76	\$ 3.43
7.8%	9.8%	27.9%	16.3%	39.6%	22.0%	25.2%	20.2%	20.3%	21.8%	23.4%
4.4%	43.9%	64.6%	35.4%	44.7%	49.0%	28.0%	50.1%	26.1%	58.9%	49.4%

Problem Children

Zinc and lead producers are unhappy. Prices for their metals afford little or no profit at current quotations of 11 cents a pound. This is a far cry from the hoped for 13½-15½ cent level proposed last year by Secretary Seaton, which failed to win Congressional approval. The quotas that were subsequently put into effect to limit imports have been of little benefit thus far in improving the domestic price level, and have merely resulted in depressing the London market which has had to absorb metal that formerly came to this country. The price of lead on the London Metal Exchange has recently been the lowest since 1952.

Of the two metals, lead is in the most unfavorable position. Last year world deliveries declined 90,000 tons and domestic stocks climbed to over 252,000 tons. While domestic production of refined lead fell 80,700 tons, foreign production was off only 8,000 tons. Evidently the cutback here because of lack of demand was ten times as large as abroad. Successive price cuts have failed to stimulate buyers' interest, who are all too well aware that supplies are ample and there is no need to stock up inventories. Foreign mine output continues large and an international conference has failed so far to come up with any solution for the basic problem of overproduction. The Government's barter program for purchases of metal against surplus agricultural products has been disappointing. Another headache has been imports of foreign made semi-finished and

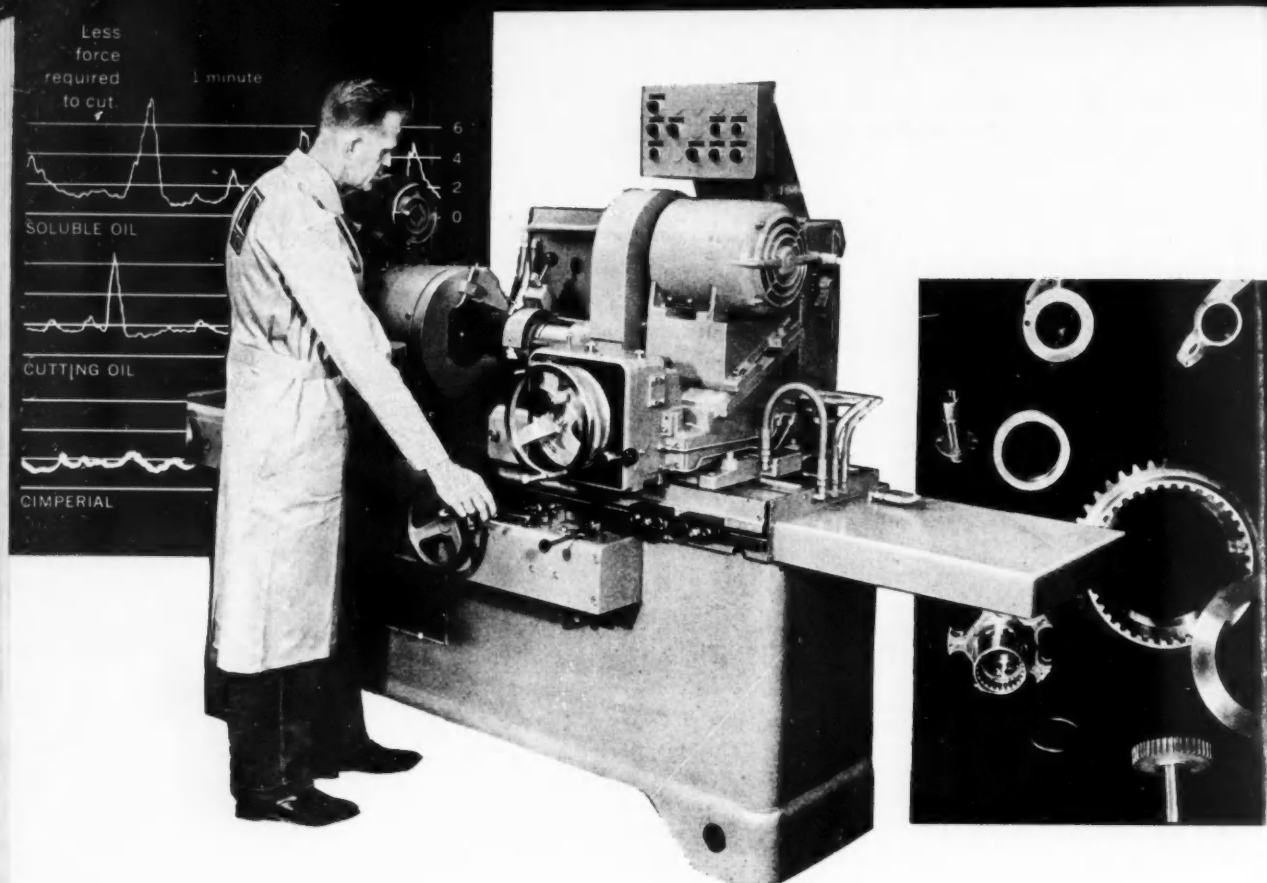
manufactured products which are not subject to quotas and are being sold in this country several cents a pound below similar American products.

The explanation of the comparatively better position of foreign lead producers lies in two factors — higher metal content of average ore mined and lower wage scales. Either one would result in lower unit costs; together they furnish considerable justification to the call for tariffs to protect the American miner. But the chances for a higher tariff than the present 1½ cent per pound seem pretty slim for political reasons.

New Markets Needed

Of more vital importance to the lead industry is development of a new major market for the metal to replace the erosion that has taken place in demand for white lead, and more recently, in lead for cable sheathing, which ranks next to use of lead in batteries and in manufacture of tetraethyl gas as major sales outlets. There is some hope for this and the Lead Industries Association is doing good work in research. Interesting developments appear in use of lead in the nuclear energy field as one of the basic shielding materials and for vibration dampening under steel columns in heavy construction.

Summing up, it must be admitted that the short term outlook for lead is not overly cheerful. Until production is brought more in line with demand, the large surplus of producers' stocks is likely to hold down any price (Please turn to page 177)



Definite improvement in the... **MACHINERY and MACHINE TOOL INDUSTRY**

By Michael Condon

- Practical estimates on extent of improvement in terms of 1959 earnings-dividend outlook
- Which companies will make the best showing

THE capital goods industry is humming along to the tune of \$1.3 billion increase in volume in 1959. A gain of this magnitude will boost sales for the industry to almost \$32 billion. This will be the third best year on record but following almost immediately 1956 and 1957 it suffers in comparison. The peak expenditures for these two years was the result of a major expansion of productive capacity by almost all sectors of the economy which is not likely to occur again in the near future. The sharp drop in expenditures for new plant and equipment in 1958 and the moderate rise projected for 1959 are better understood if the high level of spending in 1956 and 1957 is put in perspective.

The Setting

In the mid-1950's the economy had weathered its second postwar recession and quickly resumed a rapid pace of expansion. Encouraged by its ability to survive periodic slumps, and highly optimistic about the future, almost all areas of the economy

embarked on an ambitious program of adding new capacity. The stage was set when expenditures for plant and equipment jumped 22% in 1956 and another 5% the following year, only to fall off sharply by more than 17% in 1958.

EXPENDITURES ON NEW PLANT AND EQUIPMENT 1955-1959 (BILLIONS OF DOLLARS)

	1955	1956	1957	1958	1959
Manufacturing					
Durable	5.4	7.6	8.0	5.5	5.8
Non-Durable	6.0	7.3	7.9	6.0	6.4
Mining	1.0	1.2	1.2	0.9	0.9
Railroads	1.0	1.2	1.2	0.8	0.8
Transportation	1.6	1.7	1.8	1.5	1.9
Public Utilities	4.2	5.0	3.2	6.1	6.1
Communications	2.0	2.7	3.0	2.6	9.8
Commercial	7.5	8.4	7.4	7.2	—
Total	28.7	35.1	37.0	30.5	31.8

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Bucyrus
Buffalo
Clark E
Compo
Fairban
Foster V
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Leading Machinery Manufacturing Companies

	—Earnings Per Share—			—Dividends Per Share—			Current Annual Div. *	Recent Price	Div. Yield	Price Range
	1956	1957	1958	1956	1957	1958				
American Machine & Foundry	\$3.03	\$3.51	\$3.19	\$1.05 ²	\$1.30	\$1.70	2.00	69	2.8%	72½-32¼
Bliss (E. W.) Co.	3.01	2.50	d .08	2.00	2.00	.50	—	18	—	20¼-12½
Bucyrus-Erie	3.64	2.77	d .90	2.40	2.00	.75	—	32	—	33¼-25
Buffalo Forge	3.07	3.24	2.31	2.00	2.00	2.00	2.00	34	5.9	37½-27
Clark Equipment	4.11	3.57	2.70	2.25	2.25	2.00	2.00	62	3.2	62½-35¼
Compa Shoe Machinery .....	.12	.56	.81	³	.10	.30	.30	9	3.3	10½- 4
Fairbanks Morse & Co.	2.81	2.43	.76	1.40	1.65	1.40	1.40	34	4.1	43½-32½
Foster Wheeler	2.31	d1.39	4.47	1.60	1.60	—	—	44	—	44½-33½
Gardner Denver Co.	4.05	4.41	2.75	1.80	1.72½	2.00	2.00	50	4.0	53 -32
Ingersoll-Rand	5.96	6.01	4.36	3.50	4.00	4.00	4.00	100	4.0	102½-65
Joy Mfg. Co.	6.10	6.34	2.83	2.80	3.00	2.20	2.00	47	4.2	53¼-38
Link-Belt	5.95	5.41	3.52	3.15	3.20	2.70	2.40	62	3.8	64¼-46¼
Mesta Machine	4.36	6.45	6.81	3.00	3.00	3.50	3.50	60	5.8	63¼-39
United Engineering & Foundry	1.28	2.02	2.75	.80	.90	1.00	1.00	21	4.7	22½-11½
United Shoe Machinery	5.28	4.08	3.50 ¹	4.50	3.00	3.00	2.75	48	5.7	51½-32
Worthington Corp.	6.11	6.35	4.76	3.00	2.50 ²	2.50 ²	2.50	79	3.1	80¼-45¼

d—Deficit.

*—Based on latest 1959 rate.

¹—Estimated for year ended 2/28/1959.

²—Plus stock.

³—Paid 6% stock.

American Machine and Foundry. Pinspotter rentals provide considerable stability to company's other machines. Outlook favorable. A1

Bliss (E. W.). Presses, rolling mills and iron and steel rolls provide three-quarters of company business. Some betterment indicated in second half. C2

Bucyrus Erie: See text for comments. B2

Buffalo Forge. Supplies air-handling, air conditioning equipment, machine tools, pumps, and food processing equipment. The broad list of products and customers provides a favorable earning base. B1

Clark Equipment: See text for comments. B2

Compa Shoe Machinery. Approximately one-half of volume is from sales of shoe machinery, one-quarter from rented machinery and the remainder from adhesives. B1

Fairbanks, Morse. Scales, pumps, electric motors and generators, diesel engines, locomotives and other products provide most of company sales. Penn Texas Corp. controls the company. B1

Foster Wheeler: Principal business of this company is the design, manu-

facture and installation of steam generating equipment and accessories, petroleum refineries and natural gas facilities. Company is negotiating to merge with North American Aviation. B1

Gardner-Denver. Industrial machinery is sold to the oil field equipment, mining, construction and general industries. B1

Ingersoll-Rand: See text for comments. A1

Joy Manufacturing. Most important supplier of coal mining equipment besides offering oil field drilling equipment and specialized services for the mining, oil and gas industries. B1

Link-Belt: See text for comments. A1

Mesta Machine: See text for comments. B1

United Engineering and Foundry. A leading custom designer and builder of heavy machinery and equipment for rolled and pressed steel and aluminum. Similar equipment for rubber, plastic and paper fields. B2

United Shoe Machinery: Largest manufacturer of footwear machinery and also produces accessories such as chemicals, lasts, heels, brushes, stains and boxes. B1

Worthington Corp.: See text for comments. B1

RATINGS:

A—Best grade.

B—Good grade.

C—Speculative

D—Unattractive.

¹—Improved earnings trend.

²—Sustained earnings trend.

³—Lower earnings trend.

Leading Machine Tool Companies

	—Earnings Per Share—			—Dividends Per Share—			Current Annual Div. *	Recent Price	Div. Yield	Price Range
	1956	1957	1958	1956	1957	1958				
Black & Decker	\$5.17	\$5.40	\$3.16	\$1.25 ¹	\$1.40 ¹	\$1.70	2.00	66	3.0%	67½-36
Bullard Co.	2.06	.29	d2.70	1.00	.60	—	—	17	—	20¼-10
Chicago Pneumatic Tool	2.44	3.14	1.72	1.00 ¹	1.37½	1.12½	1.00	28	3.5	31½-18½
Cincinnati Milling Machine	4.64	4.46	1.62	1.60	1.60	1.60	1.60	41	3.9	44½-27
Ex-Cell-O Corp.	4.01	3.89	2.91	1.00	1.25	1.50	1.50	40	3.7	47 -28½
Monarch Machine Tool	2.34	2.42	.58	1.35	1.20	1.20	1.20	22	5.4	24 -15½
National Acme	8.60	5.81	1.90	5.00	4.50	2.00	2.00	56	3.5	59½-43½
Sundstrand Machine Tool	2.52	2.34	2.10	1.00 ¹	1.00 ¹	1.00 ¹	1.00	35	2.8	38¼-15½
United Greenfield Corp.	2.57	1.89	.97	—	—	.67½	.80	18	4.4	18½-11½
Van Norman Industries	1.10	.22	d3.75	1.00	.20	—	—	12	—	12½- 5½

d—Deficit.

*—Based on latest 1959 rate.

¹—Plus stock.

Black & Decker: See text for comments. B1

Bullard Co. A general line of machine tools is supplemented by custom design and production models. Operations cyclical; dividend resumption not expected this year. C2

Chicago Pneumatic Tool: See text for comments. B1

Cincinnati Milling Machine: See text for comments. A1

Ex-Cell-O Corp.: See text for comments. A2

Monarch Machine Tool. Various general purpose and special design lathes and accessories. Wide diversification results in no one source accounting for more than 15% of sales. B1

National Acme. Company offers a line of automatic machine tools, etc. The auto industry is main customer. C2

Sundstrand Machine Tool: Speed drives and other aircraft items comprise more than half of company sales. Moderate improvement indicated in 1959. B1

United-Greenfield. Metal cutting tools contribute about one-third of company volume. Better earnings indicated over coming months. B1

Van Norman Industries. Diversifications in recent years has added electronic equipment, carbide cutting tools and textile and rayon machinery. Large deficit last year. C1

RATINGS:

A—Best grade.

B—Good grade.

C—Speculative

D—Unattractive.

¹—Improved earnings trend.

²—Sustained earnings trend.

³—Lower earnings trend.

Despite this sharp decline in capital spending in 1958 the year compares favorably with 1955 (the year just preceding the large expansion) and the rest of the postwar years. The boom years of 1956 and 1957 stand out as a non-recurring phenomenon accounted for by a large and wide spread expansion of capacity. Spending in 1958 and anticipated spending in 1959, while sharply below the peaks of 1956 and 1957, are nevertheless more typical of the pattern of the postwar period.

Outlook Is Favorable

Expenditures for new plant and equipment in the years immediately ahead are not likely to experience sharp yearly increases such as occurred in 1956 and 1957. While there is no way of knowing just how much new capacity was put in, it is surely enough to satisfy demand several years hence. Furthermore the recession of 1957-1958 idled some capacity which will not be reabsorbed for several months.

Current estimates for 1959 foresee an overall increase of about 4% in expenditures for new plant and equipment. The major change is a 27% increase for the transportation industry (other than rails) followed by gains of 8% and 7% for manufacturers of non-durables and durables, and only minor changes for other industries. Mining was the only industry expecting to spend less in 1959 than in 1958, and this was only 1% less.

Forecasts May Be Conservative

The extent to which these yearly projections have been realized has varied, but generally when expenditures have been rising the forecast has proved conservative, and when expenditures have been falling the forecast has proved optimistic. If this generalization holds true, 1959 expenditures might be expected to be met or slightly exceeded. And as the atmosphere of optimism continues to grow so should outlays for new capacity. No sudden burst, as occurred in 1956-1957, should be expected, but only year to year increases in line with the needs of a normally expanding economy.

The Highway Program

Highly touted three years ago as the answer to the construction machinery industry's dreams, the program has yet to produce any real road construction. The extent of engineering and right of way details were not fully realized by the public and as a result the program was thought to be behind schedule. This was not true however, and those connected with the industry fully appreciated the long months

Comprehensive Statistics Comparing the

Figures are in million dollars except where otherwise stated.	American Machine & Foundry	Bucyrus Erie	Clark Equipment	Fairbanks Morse & Co.
CAPITALIZATION:				
Long Term Debt (Stated Value)	\$ 93.6	\$ 19.0	\$ 30.7	\$ 25.5
Preferred Stock (Stated Value)	\$ 8.1	—	\$.6	—
No. of Common Shares Outstanding (000)	3,347	1,866	2,378	1,076
Capitalization	\$125.4	\$ 28.3	\$ 67.0	\$ 43.5
Total Surplus	\$ 64.4	\$ 48.2	\$ 25.9	\$ 45.5
INCOME ACCOUNT: Fiscal Year Ended				
Net Sales	12/31/58 \$184.1	12/31/58 \$ 58.2	12/31/58 \$142.6	12/31/58 \$ 89.6
Deprec., Depletion, Amort., etc.	\$ 14.5	\$ 2.5	\$ 2.6	\$ 2.1
Income Taxes	\$ 11.9	—	\$ 5.5	\$.8
Interest Charges, etc.	\$ 5.3	\$.8	\$ 1.8	\$ 1.0
Balance for Common	\$ 10.7	\$d 1.6	\$ 6.4	\$.8
Operating Margin	14.6%	d5.2%	8.5%	5.4%
Net Profit Margin	6.0%	d2.8%	4.5%	.9%
Percent Earned on Invested Capital	11.4%	—	10.3%	1.3%
Earned Per Common Share	\$ 3.19	\$d .90	\$ 2.70	.76
BALANCE SHEET: Fiscal Year Ended				
Cash and Marketable Securities	12/31/58 \$ 21.1	12/31/58 \$ 3.1	12/31/58 \$ 6.9	12/31/58 \$ 8.8
Inventories, Net	\$ 40.5	\$ 36.1	\$ 43.7	\$ 32.9
Receivables, Net	\$ 56.1	\$ 9.1	\$ 19.7	\$ 14.6
Current Assets	\$120.4	\$ 50.2	\$ 71.3	\$ 56.9
Current Liabilities	\$ 35.0	\$ 12.8	\$ 20.6	\$ 10.2
Working Capital	\$ 85.4	\$ 37.4	\$ 50.7	\$ 46.7
Current Ratio (C. A. to C. L.)	3.4	3.9	3.4	5.5
Fixed Assets, Net	\$ 22.9	\$ 37.6	\$ 30.6	\$ 28.5
Total Assets	\$231.4	\$ 90.0	\$113.5	\$ 85.9
Cash Assets Per Share	\$ 6.32	\$ 1.69	\$ 2.93	\$ 8.16
Inventories as Percent of Sales	22.0%	62.0%	30.6%	36.8%
Inventories as % of Current Assets	33.6%	71.9%	61.3%	56.2%

d—Deficit.

1—Contracts in prog., less billings.

of legal work and surveying necessary and which only now appears to be nearing an end.

Construction Increasing—But Funds May Be Short

Both new orders and spending for highway construction have risen recently and compare very favorably with the same months last year. However, there is a major problem to be overcome if actual construction is to reach significant levels soon.

The federal highway program is supported by a fund which is fed from gasoline and other taxes on road users. The law states that expenditures cannot exceed the amount in the fund, in effect barring deficit operations. *Because of a stepped up rate of spending in 1958 to combat the recession, the fund was depleted and is heading towards a deficit.* Unless new sources of revenue can be provided highway spending may be interrupted.

Inflationary Influences

One other interesting fact should be mentioned here, and it is bullish for the industry. The original cost of the roads was estimated at \$27.5 billion, but recent estimates have pushed this amount up to \$40 billion. Although this is a favorable development for the industries concerned it remains to be seen how

Position of Leading Machinery and Machine Tool Companies

Machinery Manufacturing		Machine Tools		Machine Tools		Machine Tools		Machine Tools		Machine Tools	
Foster Wheeler	Gardner- Denver Co.	Ingersoll Rand	Link Belt	United Engineering & Foundry	Worthington Corp.	Bullard Co.	Chicago Pneumatic Tool	Cincinnati Milling Machine	Ex-Cell-O Corp.	Sundstrand Machine Tool	
\$ 5.3	\$ 12.0	—	—	\$ 6.1	\$ 23.8	\$ 3.0	—	—	\$ 3.5	\$ 7.8	
—	\$ 1.9	\$ 2.5	—	\$.7	\$ 7.0	—	—	\$ 6.0	—	—	
595	1,985	6,024	1,880	2,493	1,596	728	4,337	1,708	3,691	1,552	
\$ 11.2	\$ 23.9	\$ 30.6	\$ 27.2	\$ 19.3	\$ 46.8	\$ 10.3	\$ 34.6	\$ 23.0	\$ 14.4	\$ 15.5	
\$ 26.5	\$ 33.3	\$ 119.0	\$ 78.2	\$ 22.6	\$ 69.4	\$ 10.5	\$ 37.1	\$ 42.6	\$ 68.3	\$ 20.4	
12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	1/3/59	11/30/58	12/31/58	
\$178.9	\$ 63.5	\$170.5	\$141.7	\$ 90.5	\$184.2	\$ 13.4	\$ 73.6	\$104.3	\$123.8	\$ 80.0	
\$ 1.5	\$ 1.7	\$ 2.4	\$ 3.2	\$ 1.2	\$ 2.7	\$.8	\$ 1.7	\$ 3.1	\$ 8.2	\$ 1.9	
\$ 1.9	\$ 5.5	\$ 25.0	\$ 6.3	\$ 7.9	\$7.8	—	\$ 7.2	\$ 2.9	\$ 9.6	\$ 3.3	
\$ 1.1	\$.2	—	—	—	\$ 1.3	\$.2	—	—	\$.8	\$.6	
\$ 2.6	\$ 5.4	\$ 26.2	\$ 6.6	\$ 6.8	\$ 7.6	\$ 1.9	\$ 7.4	\$ 2.7	\$ 10.7	\$ 3.2	
3.0%	17.1%	27.0%	8.6%	15.2%	8.2%	20.9%	18.7%	5.0%	15.2%	8.5%	
1.4%	8.7%	15.4%	4.6%	7.6%	4.2%	14.6%	10.1%	2.8%	8.7%	4.0%	
8.2%	12.2%	17.6%	7.5%	19.3%	8.5%	—	10.3%	4.5%	13.5%	11.7%	
\$ 4.47	\$ 2.75	\$ 4.36	\$ 3.52	\$ 2.75	\$ 4.76	\$27.70	\$ 1.72	\$ 1.62	\$ 2.91	\$ 2.10	
12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	12/31/58	1/3/1959	11/30/58	12/31/58	
\$ 10.2	\$ 8.6	\$ 63.2	\$ 18.3	\$ 10.7	\$ 5.8	\$ 2.2	\$ 16.3	\$ 13.3	\$ 18.6	\$ 4.0	
\$ 25.1	\$ 24.8	\$ 36.7	\$ 30.6	\$ 17.3	\$ 54.2	\$ 5.2	\$ 29.8	\$ 29.7	\$ 26.1	\$ 20.0	
\$ 26.3	\$ 15.0	\$ 20.0	\$ 18.9	\$ 11.2	\$ 38.1	\$ 1.2	\$ 16.1	\$ 14.2	\$ 8.8	\$ 11.0	
\$ 66.0	\$ 48.5	\$120.0	\$ 67.9	\$ 29.8	\$ 99.5	\$ 9.9	\$ 62.7	\$ 57.3	\$ 54.6	\$ 35.4	
\$ 45.5	\$ 7.4	\$ 32.2	\$ 17.7	\$ 7.6	\$ 26.3	\$ 1.5	\$ 16.1	\$ 9.9	\$ 17.9	\$ 13.0	
\$ 20.5	\$ 41.1	\$ 87.8	\$ 50.2	\$ 22.2	\$ 73.2	\$ 8.4	\$ 46.6	\$ 47.4	\$ 36.7	\$ 22.4	
1.4	6.5	3.7	3.7	3.9	3.7	6.6	3.9	5.7	3.0	2.7	
\$ 16.7	\$ 13.7	\$ 19.7	\$ 36.0	\$ 16.6	\$ 41.1	\$ 12.4	\$ 24.0	\$ 26.0	\$ 24.2	\$ 13.0	
\$ 84.6	\$ 64.3	\$184.8	\$105.4	\$ 49.6	\$ 99.5	\$ 22.4	\$ 88.4	\$ 88.9	\$106.3	\$ 48.7	
\$ 17.13	\$ 4.37	\$ 10.48	\$ 9.76	\$ 4.32	\$ 3.68	\$ 3.11	\$ 3.72	\$ 7.82	\$ 5.04	\$ 2.10	
—	39.1%	21.4%	21.6%	19.1%	29.4%	39.2%	40.5%	2.8%	21.1%	25.0%	
—	51.2%	30.5%	45.1%	58.2%	54.6%	53.1%	47.6%	51.9%	47.8%	56.6%	

the additional funds will be provided in view of the inflationary aspects in the situation.

Spending in 1959, largely on actual construction, is expected to be about \$7.1 billion or 14% above 1958, and should remain at or above these levels for several years.

Machine Tools—Good News at Last

This industry is something of a paradox because it is a rather sensitive barometer of economic activity and yet sales and earnings do not readily respond to increased economic activity. Currently the industry is attempting to emerge from the recent recession, which was forecast early in 1957 by a decline in new orders. After remaining stable through most of 1958 just above \$20 million per month, new business began to pick up in December and January. February new orders were 60% ahead of the same month last year. Indications are that the auto companies are stepping up their orders, apparently for the new small or compact car. Despite this sharp increase, and even if it continues, sales and earnings will not benefit for many months. The time needed to produce machine tools is 6 to 12 months, and in the case of some of the larger models 18 to 24 months. Even so after two years of declining business the improvement is gladly welcomed.

Prospects For Selected Companies

The following weighs and projects the position and outlook of leading companies in the field.

Bucyrus-Erie manufactures a varied line of earth moving and excavating equipment, principally power cranes and shovels which account for more than 80% of volume. With its Canadian subsidiary and British affiliate it is the world's largest producer of these machines. About 50% of sales is to the construction industry, approximately one-third to mine and quarry operators, and near a fifth to logging, petroleum, gas and other industries.

Volume is sensitive to the general level of economic activity and closely duplicates peaks and troughs of industrial production, as a glance at the historical record will reveal. In 1956 and 1957 sales were at an all time high, only to drop off drastically in 1958. Because of the large plant investment, profit margins contracted considerably with loss of volume and a deficit was reported on 1958 operations.

Despite the fact that the backlog of orders at year-end 1958 was only 31% of the level the year before, the outlook for Bucyrus is better than it has been for many months. Plant and equipment expenditures estimates have finally turned up, and road building should reach the construction phases in the months ahead. New (Please turn to page 172)



Leaders and Runners-Up in ... THE BUBBLING SOFT DRINK INDUSTRY

By Edward Hobby

- Broad nation-wide scramble for markets through advertising, new products—containers—in whirlwind competition
- Current position and outlook for the individual companies

THE hard sell is becoming more prevalent in the soft drink industry. In an attempt to woo more of consumers' disposable income, bottlers and syrup manufacturers are adopting more gimmicks than ever before. Syrup makers, for instance, who once relied on one or two tried-and-true flavors, are either test marketing, or have introduced, various new beverage flavors at an unprecedented rate. Brands, moreover, which were distributed regionally in the past are now going nation-wide. Finally, bottlers are swinging over to more diversified merchandising techniques such as providing family size bottles, multiple package units, and adopting the use of cans.

As a result, soft drink shares have advanced in many cases to the highest levels in a decade. As a matter of fact, one manufacturer (Canada Dry) credits its gain in 1958 dollar and case sales "to a strong shift away from a single line of carbonated

beverages to a broad line with a flavor for every taste."

It is interesting to note that the industry is backing up optimism with the largest advertising budget in its history in 1959, — \$94 million, according to a trade publication, — and competition is intense. By comparison, in 1958, a record \$92 million was spent singing pop's praises. The program is aimed at offsetting the possible adverse influence on sales arising from "cool" summertime weather, and at competition, all the way from soft drink tablets and powders, to coffee, tea, beer and fruit juices.

Growing Demand

The big question in the minds of investors is, of course, will this program pay off in increased profits and dividends to shareholders. If past is prologue, then sparkling reading in the financial pages is in

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Comprehensive Statistics Comparing Position of Leading Soft Drink Companies

Figures are in millions dollars
except where otherwise stated

	Canada Dry	Coca Cola	Dr. Pepper Co.	Chas. E. Hires Co.	Pepsi- Cola	Royal Crown Cola Co. *
CAPITALIZATION:						
Long Term Debt (Stated Value)	\$ 11.4	—	\$ 1.1	—	\$ 8.9	—
Preferred Stocks (Stated Value)	\$ 4.8	—	—	—	—	—
No. of Common Shares Outstanding (000)	2,355	4,232	670	382	6,138	1,034
Capitalization	\$ 20.2	\$ 26.7	\$ 2.5	\$.4	\$ 11.0	\$ 1.0
INCOME ACCOUNT: Fiscal Year Ended						
	9/30/58	12/31/58	12/31/58	9/30/58	12/31/58	12/31/58
Net Sales	\$ 93.8	\$ 309.2	NA	\$ 9.4	\$ 136.8	\$ 17.6
Deprec. Depletion, Amort., etc.	\$ 1.6	\$ 9.4	NA	\$.3	\$ 4.8	\$.2
Income Taxes	\$ 3.1	\$ 35.3	\$.4	\$.2	\$ 11.6	\$ 1.4
Interest Charges, etc.	\$.5	—	\$.1	—	\$ 1.8	—
Balance for Common	\$ 3.3	\$ 30.3	\$.4	\$.3	\$ 11.5	\$ 1.2
Net Profit Margin	3.7%	9.7%	NA	3.8%	8.4%	7.0%
Earned Per Common Share	\$ 1.41	\$ 7.10	\$.71	\$.94	\$ 1.88	\$ 1.19
BALANCE SHEET: Year Ended						
	9/30/58	12/31/58	12/31/58	9/30/58	12/31/58	12/31/58
Cash and Marketable Securities	\$ 11.3	\$ 91.2	\$ 1.0	\$ 3.1	\$ 17.7	\$ 3.6
Inventories, Net	\$ 11.4	\$ 35.6	\$ 1.1	\$ 1.0	\$ 7.5	\$ 1.3
Receivable, Net	\$ 10.4	\$ 19.4	\$.8	\$.8	\$ 9.5	\$.7
Current Assets	\$ 11.4	\$ 151.7	\$ 3.3	\$ 5.4	\$ 36.2	\$ 6.2
Current Liabilities	\$ 7.8	\$ 38.3	\$ 1.1	\$.7	\$ 19.0	\$ 2.1
Working Capital	\$ 3.6	\$ 113.4	\$ 2.2	\$ 4.7	\$ 17.2	\$ 4.1
Current Ratio (C. A. to C. L.)	1.4	4.0	3.3	7.7	1.9	2.9
Fixed Assets, Net	\$ 12.1	\$ 85.6	\$ 4.2	\$ 1.7	\$ 25.7	\$ 2.2
Total Assets	\$ 62.9	\$ 288.2	\$ 8.3	\$ 7.4	\$ 83.9	\$ 8.8
Cash Assets Per Share	\$ 4.77	\$ 21.57	\$ 1.57	\$ 8.21	\$ 2.88	\$ 3.56

*Formerly Nehi Corp.

NA—Not available.

store for the owners of the industry's well-managed companies. Historically, the soft drink industry has always managed to increase sales. Not only has the total market increased as a result of population growth, but per capita consumption is also gradually rising. The industry's statistical position could easily improve over the next decade, due to the huge baby crop of the late 'forties and early 'fifties. Market research has revealed that teen-aged Americans consume twice as much "pop" as the national average. The simple fact is that there will be more teen-agers around in the 'sixties than ever before.

Basically, what most major companies in the industry are trying to accomplish can best be expressed by the phrase, "market saturation," which means little more than trying to please all of the

people all of the time — a little short of realism. In order to accomplish this long range objective, bottlers are turning to all sizes and kinds of containers, from small six ounce to large family size bottles and are even showing a renewed interest in cans. The latter, interestingly enough, is staging quite a comeback, after the somewhat disappointing, high powered promotion of a few years ago. A recent survey showed that 53% of some 2,300 food outlets surveyed were carrying canned carbonated beverages. To further stimulate consumer acceptance of canned soda, the United States Steel Co. will sponsor an all-out public relations campaign this year, utilizing every type of popular advertising media. Royal Crown Corp., incidentally, is estimated to have captured 41% of all canned soft drink sales in the U. S. last year. (Please turn to page 168)

Statistical Data on Leading Soft Drink Companies

	Full Years								1st Quarter		Price Range 1958-1959	Recent Price	Div. Yield
	Net Sales		Net Profit Margin		Net Per Share		Dividend Per Share		Earned Per Share				
	1957	1958	1957	1958	1957	1958	1957	1958	1958	1959			
	—(Millions)—		%										
Canada Dry Corp.	\$ 86.0 ²	\$93.8 ²	4.1%	3.7%	\$1.73 ²	\$1.41 ²	\$1.00	\$1.00	\$.54	\$.46 ¹	21½-14½	21	4.7%
Coca Cola	296.7	309.2	10.1	9.7	7.07	7.10	5.00	5.00	1.11	NA	132½-98½	128	3.9
Dr. Pepper	11.0	NA	NA	4.2	.70	.71	.60	.60	.05	.07	17½- 8½	16	3.7
Hires (Chas. E.)	9.6 ²	9.4 ²	2.7	3.8	.69 ²	.94 ²	.60	.60	d.22 ¹	d.18 ¹	21 - 9½	18	3.3
Pepsi-Cola	125.8	136.8	7.4	8.4	1.54	1.88	1.05	1.20	.26	.32 ⁴	31¼-19½	31	3.8
Royal Crown Cola Co. (**)	17.3	18.3	7.1	6.7	1.19	1.19	.80 ³	.80	.13	.17 ⁴	19½-13½	18	4.4

^d—Deficit.

**—Formerly Nehi Corp.

¹—1st fiscal quarter end 12/31/1957 & 1958.

³—Plus, stock.

NA—Not available.

²—Year ended Sept. 30.

⁴—Estimated.

Company Ratings

Canada Dry Coca Cola	Rating B-1 A-1	Dr. Pepper Hires (Chas. E.)	Rating B-1 C-2	Pepsi-Cola Royal Crown Cola	Rating B-1 B-1
RATING KEY: A—Best grade. B—Good grade.		C—Speculative. D—Unattractive.		1—Improved earning trend. 2—Sustained earnings trend.	
				3—Lower earnings trend.	



FOR PROFIT AND INCOME

Too Good

Steel stocks began to rise well in advance of the low point in the industry's operations and earnings. They have done the reverse for some weeks now, easing substantially from their highs while the operating rate has risen to over 93% of capacity, and it has become obvious that huge gains would be the rule in first-half profits. The present situation is too good, abnormal, temporary—which explains the market psychology. With or without a strike, third-quarter earnings will be much under second-quarter levels. It is also recognized that the industry will be under heavy political pressure to hold down prices. Hence, it is questioned that a wage boost would be as inflationary for steel prices and profits as were the industry's previous post-war labor settlements. The next good buying level for steel stocks is conjectural at this time.

Copper

Copper shares tend to move with the price of the metal. In

two boosts, the metal has gone from 29¢ a pound to 31½ cents (U. S. producers' price) since the start of this year. The stocks responded — for a time. They are now well down from recent highs. Expectation of a general U. S. copper strike had much to do with the increased demand for copper. Apparently the present market reasoning is as follows: If there is no strike, the price may fall two or more cents a pound. If there is a strike, maybe it has been largely, if not fully, allowed for in the present price of the metal. There is plenty of copper in the world.

Recurrent strikes in one major producing area or another figure heavily in supply-demand shifts. Copper shares might not get back to recent highs for some time.

Cans

American Can and Continental Can were long regarded as high-grade investment stocks favored by moderate-rate growth of earnings. Actually, there has been no profit growth—in fact, some shrinkage—for American Can since 1950 (in per-share results); and none for Continental since 1956. The latter company

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1958	1959
Northern Pacific Rwy.	2 mos. Feb. 28	\$.42	\$.22
Wesson Oil & Snowdrift	6 mos. Feb. 28	1.15	1.02
Chicago Rock Island & Pac. Ry.	2 mos. Feb. 28	.35	.09
Western Pacific R.R.	2 mos. Feb. 28	1.26	.49
Eagle-Picher Co.	Quar. Feb. 28	1.05	.50
Glidden Co.	6 mos. Feb. 28	1.32	.92
Kelsey-Hayes Co.	Quar. Feb. 28	1.14	.27
Caterpillar Tractor Co.	2 mos. Feb. 28	.61	.16
Spalding (A. G.) & Bros.	12 mos. Jan. 31	1.10	.58
Litton Industries, Inc.	6 mos. Jan. 31	1.48	1.02

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has expanded most aggressively by acquisitions of important makers of glass and paper containers; but it might have to give up some which are being opposed by the Department of Justice on anti-trust grounds. Both stocks have heretofore bettered their older highs only moderately. Both have been under special pressure recently, and well under best levels of late 1958, as a result of announced price cuts on cans. The cuts were made primarily to "discourage" some large customers from making their own cans. When you have to pay going market prices for your materials, but have to cut selling prices to guard against loss of volume, your stockholders will understandably worry about operating margins and earnings. We cannot say whether the stocks have been over-sold or soon will be. On investment appraisal, they are not what they used to be.

Auto Race

Who is winning the automobile race? In terms of competitive status and overall performance, the answer is one thing. In terms of market action, it is another. On investment appraisal, General Motors is much the best stock—but it made its recovery high to date last November; and has receded substantially in recent weeks, despite improving prospects for its sales and those of the industry. The "trouble" is that earnings hold up relatively well in the slumps and cannot rise spectacularly in the good periods because share capitalization is so huge. The stock lacks speculative allure. Ford has recently become the best-acting stock in the group, followed by Chrysler. A good year is now indicated for Ford, with sharply higher earnings. A so-so year

seems likely for Chrysler. As stated here previously, earnings defy forecast. They might be \$5.00 to \$8.00 a share on the latter against loss last year. Ford's net could well be \$6.00 to \$8.00 a share, against 1958's \$1.75. This year's performance of the auto group as a whole should not differ greatly from that of the industrial average. In our opinion, the group's long-pull potential is below average.

Group Variations

Despite sharp up or down moves here and there, weekly changes in the stock groups, as well as in individual issues, continue largely to average out. Hence, the over-all level of stock prices at this writing differs little from what it was as of mid-January. Meanwhile, investment-speculative preferences continue to shift considerably from week to week. At this time, groups which are showing above-average strength are principally air transport, auto parts, baking, coal, dairy products, drugs, meat packing, motion pictures, and variety stores. Among those faring worse than average are aluminum, building materials, coppers, food brands, machine tools, international oils, sugar producers, paper and steels.

Laggards

Among individual stocks which are performing relatively poorly at this time are: Amerada, Chemetron, Container Corp., Dresser Industries, El Paso Natural Gas, Federal Paper Board, General Portland Cement, International Paper, Household Finance, Aluminium Ltd., Hudson Bay Mining, Murray Corp., Lehigh Portland Cement, Republic Steel, Sunbeam Corp., United Biscuit.

What To Buy Now?

The time when conservative investors may again be able to put savings into adequately safe income stocks at returns of 5½% to 6%—as in late 1957 and early 1958—is not now foreseeable and may be distant. Those wishing to employ funds in income stocks today have to shop around, and pass up many of the best-grade issues, to get yields of much over 4%. Here are some appropriate choices: American Tobacco around 100, yielding 5%; American Investment 5% at 20; C.I.T. Financial 4.7% at 51; Cunningham Drug Stores 4.9% at 39; Consolidated Edison, nearly 4.4% at 64; Equitable Gas 4.5% at 39; Interstate Power 4.7% at 19; Pacific Lighting 4.5% at 53; Public Service of Indiana 4.6% at 46; and Woolworth, about 4.5% at 56.

Radio Corp.

It was observed here recently that the stock of Radio Corp. was selling around 20 times earnings, that profit growth had been restricted in recent years, and that the stock's chances of getting back to the pool-created 1929 high of 114¾ seemed slim. True enough—but, in view of public interest in this issue, some added comments may be appropriate: (1) While the price-earnings ratio is above average, it is much less extreme than those of stocks of a number of smaller concerns in the favored electronics field; (2) the company's large size, as in the case of General Electric and Westinghouse, precludes a dynamic growth rate, but on the other hand its shareholders have the benefit of an entrenched trade position and of established earning power; (3) RCA will be earning money and paying dividends after a number of newcomers in electronics have gone broke or have disappeared in mergers; (4) in a marked gain over 1958's reduced net of \$1.98 a share, 1959 profit should be around \$2.75 to \$3.00 a share, or not greatly under 1955's peak profit of \$3.16 a share; (5) the odds are that profit will exceed best past level before the present cycle of business expansion terminates. Although it cannot be argued that the stock is cheap at 59, neither is there any presently indicated need for its owners to disturb holdings.

(Please turn to page 182)

DECREASES SHOWN IN RECENT EARNINGS REPORTS

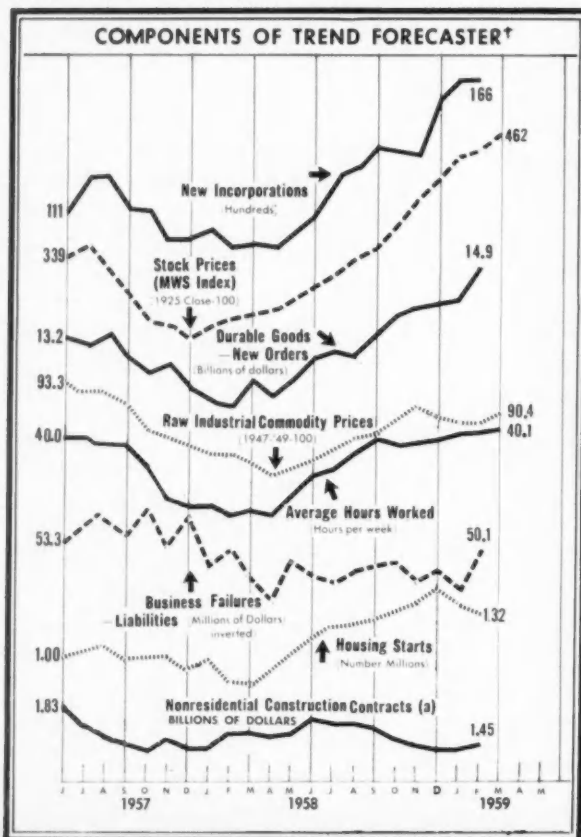
		1958	1957
Texas & Pacific Rwy	2 mos. Feb. 28	\$.49	\$.64
Illinois Central Railroad	2 mos. Feb. 28	.32	.37
Republic Pictures Corp.	13 weeks Jan. 24	.05	.41
Southern Railway	2 mos. Feb. 28	.49	.62
Columbus & So. Ohio Electric	12 mos. Feb. 28	2.05	2.55
Avco Mfg. Corp.	Quar. Feb. 28	.14	.30
ACF Industries	Quar. Jan. 31	1.04	1.47
Distillers Corp. - Seagrams	6 Mos. Jan. 31	1.75	2.03
Dresser Industries	Quar. Jan. 31	.39	.70
Young Spring & Wire Corp.	6 mos. Jan. 31	.37	1.23

the Business

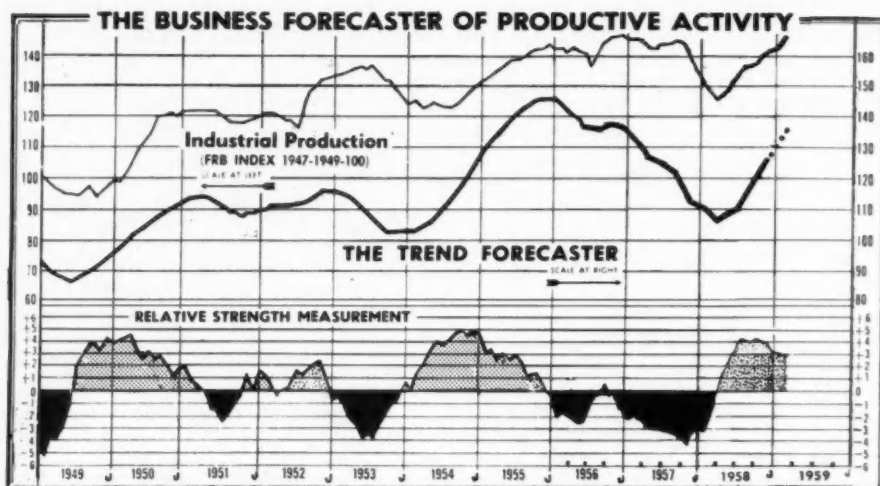
Business Trend Forecaster*

INTERESTING TO NOTE — The rise in industrial production line between 1956-57 was offset by economic decline in that period, accurately forecasting heavy inventory accumulations.

***W**ith the many revolutionary changes in our economy, it was evident that various indicators previously used should be dropped and new ones substituted, in order to more accurately forecast developing business trends.



(†)—Seasonally adjusted except stock and commodity prices.
(a)—Based on F.W. Dodge data. 2 month moving average. In constant dollars.



This we have done in our *Trend Forecaster* (developed over a period of several years), which employs those indicators (see Components of Trend Forecaster) that we have found to most accurately project the business outlook.

As can be seen from the chart, industrial activity in itself is not a true gauge of the business outlook—the right answer can only be found when balanced against the state of our economy. The *Trend Forecaster* line does just that. When it changes direction up or down a corresponding change in our economy may be expected several months later.

The depth or height of the developing trend is clearly presented in our *Relative Strength Measurement* line, which reflects the rate of expansion or contraction in the making. When particularly favorable indications cause a rise that exceeds plus 3 for a period of time, a strong advance in general business is to be expected. On the other hand, penetration of minus 3 on the down side usually precedes an important contraction in our economy.

We believe that subscribers will find our *Business Trend Forecaster* of increasing usefulness both from the investment and business standpoints.

Current Indications of the Forecaster

A majority of the eight component series entering into the Trend Forecaster are still in uptrends as we enter the second quarter, although some cross-currents are in evidence. Durable good orders, stock prices and new incorporations were the best performers in the first quarter. Average hours worked rose further, and three other series—commodity prices, business failures and nonresidential construction contracts—strengthened after early irregularity. One series, housing starts, turned clearly downward, after a long advance.

Reflecting these trends in the indicators, the Relative Strength Measurement now stands at a healthy +3, although it is down somewhat from the +4 level of late 1958. Although the Measurement might have fallen somewhat further, were it not for the artificial activity deriving from fears of a steel strike, its present position nevertheless still forecasts rising activity through the first half of the year although at a somewhat slower pace than before. It still leaves entirely open, the possibility that a steel strike will revitalize the trend in the last half (at a price of course, to be paid in 1960).

Analyst

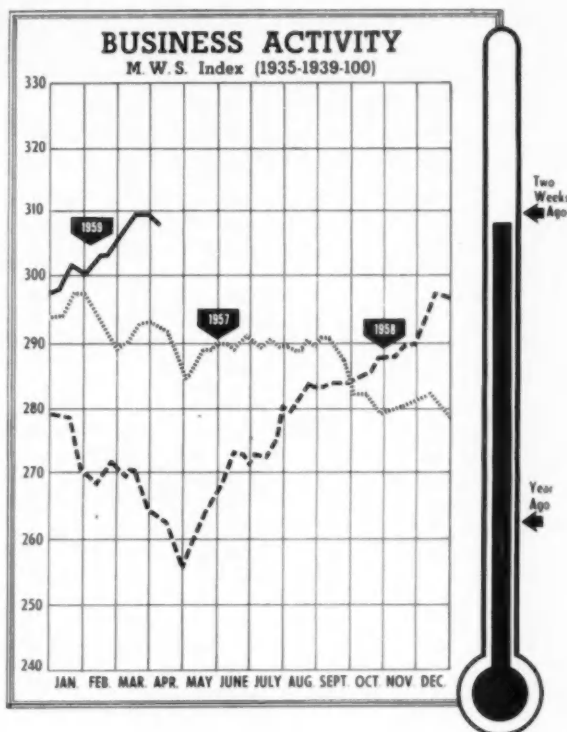
CONCLUSIONS IN BRIEF

PRODUCTION—still advancing slowly, as steel and machinery output advance. Other gains in chemicals, petroleum, textiles. Look for further moderate rise into summer, somewhat faster rise for a short period in the Fall.

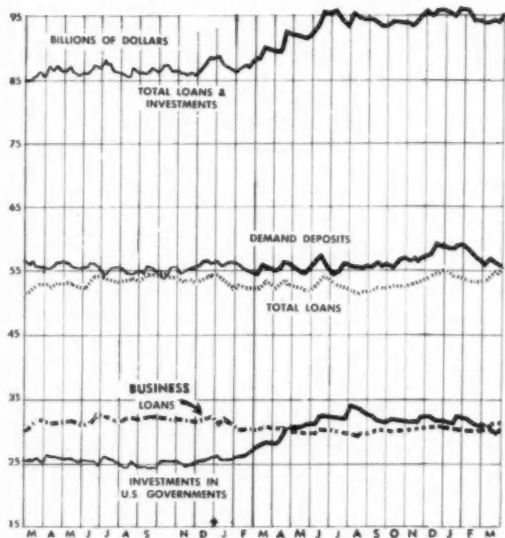
TRADE—retail volume still running strong, after an Easter season that was sharply above a year ago. Retail volume in the \$17.5 billion per month range assured for the Spring and early Fall.

MONEY & CREDIT—mild trend toward increased tightness has continued; no immediate change in the offing. For next three months, demand for funds should be in a clear rise, reflecting inventory gains, high demand for mortgage funds, and perhaps some turnaround in funds required for plant and equipment.

COMMODITIES—slow uptrend in industrials continues, partly offset, until recently, by weakness in farm commodities. Currently, some seasonal strength appearing in farm commodities, may send general wholesale price indexes up, cause mild uptrend in cost of living.



MONEY AND BANK CREDIT (WEEKLY REPORTING MEMBER BANKS)



1957

1958

1959

RECENT months have witnessed a continuing up-trend in general business conditions, at a very appreciable rate, despite evidence of a growing admixture of weaknesses in the total business picture. These weaknesses are not yet nearly crucial; their significance lies in their clear indication that the business cycle is still with us. In typical cyclical fashion, the features of the next recession are being sketched out during the current recovery.

One weakness is the very important role that inventory accumulation is now playing in the expansion. About half of the total increase in gross national product over the past year of recovery has been in the area of inventory demand. Business stocks are now evidently accumulating at about a \$5 billion annual rate—too fast to be long sustainable. Doubtless the rate will hold throughout the second quarter; and assuming a liquidation of steel inventories during the third quarter owing to a steel strike, a \$5-billion rate of accumulation may even recur in the fourth quarter of this year. Inventory-sales ratios are still quite low, but they are about to rise; and, characteristically, they rise too far. Inventory difficulties are thus likely to reappear by early 1960.

Similarly, the housing market appears to be heading in the general direction of trouble, although here too it is not yet in difficulties. The present rate of home building is, in the opinion of most analysts, somewhat greater than the real demand for homes this year; when the sales effort for current home-building reaches its peak, moreover, the supply of long-term funds may be a little less full than it is

(Please turn to the following page)

Essential Statistics

THE MONTHLY TREND

	Unit	Month	Latest Month	Previous Month	Year Ago
INDUSTRIAL PRODUCTION* (FRB).....	1947-'9-100	Feb.	144	143	130
Durable Goods Mfr.....	1947-'9-100	Feb.	155	153	137
Nondurable Goods Mfr.....	1947-'9-100	Feb.	138	137	125
Mining	1947-'9-100	Feb.	124	123	118
RETAIL SALES*.....	\$ Billions	Mar.	17.7	17.6	16.1
Durable Goods.....	\$ Billions	Mar.	5.9	5.9	5.0
Nondurable Goods.....	\$ Billions	Mar.	11.8	11.7	11.1
Dep't Store Sales.....	1947-'9-100	Mar.	141	139	131
MANUFACTURERS'					
New Orders—Total*.....	\$ Billions	Feb.	29.8	28.5	24.1
Durable Goods.....	\$ Billions	Feb.	14.9	13.9	10.7
Nondurable Goods.....	\$ Billions	Feb.	14.9	14.6	13.4
Shipments*	\$ Billions	Feb.	28.5	28.1	25.5
Durable Goods.....	\$ Billions	Feb.	13.8	13.5	12.0
Nondurable Goods.....	\$ Billions	Feb.	14.7	14.6	13.5
BUSINESS INVENTORIES, END MO.*	\$ Billions	Feb.	85.9	85.6	89.3
Manufacturers'	\$ Billions	Feb.	49.8	49.5	52.4
Wholesalers'	\$ Billions	Feb.	11.9	11.9	12.5
Retailers'	\$ Billions	Feb.	24.2	24.2	24.3
Dept. Store Stocks	1947-'9-100	Jan.	151	150	147
CONSTRUCTION TOTAL.....	\$ Billions	Mar.	3.8	3.5	3.3
Private	\$ Billions	Mar.	2.7	2.5	2.4
Residential	\$ Billions	Mar.	1.5	1.4	1.2
All Other	\$ Billions	Mar.	1.2	1.1	1.2
Housing Starts*—a.....	Thousands	Feb.	1320	1350	915
Contract Awards, Residential—b.....	\$ Millions	Feb.	1073	1022	727
All Other—b.....	\$ Millions	Feb.	1234	1298	1226
EMPLOYMENT					
Total Civilian	Millions	Mar.	63.8	62.7	62.3
Non-Farm	Millions	Mar.	50.8	50.3	49.7
Government	Millions	Mar.	8.1	8.1	7.8
Trade	Millions	Mar.	11.1	11.0	10.9
Factory	Millions	Mar.	12.1	11.9	11.5
Hours Worked.....	Hours	Mar.	40.1	40.0	38.6
Hourly Earnings.....	Dollars	Mar.	2.21	2.20	2.11
Weekly Earnings.....	Dollars	Mar.	88.62	88.00	81.45
PERSONAL INCOME*.....	\$ Billions	Feb.	365	363	348
Wages & Salaries.....	\$ Billions	Feb.	246	245	233
Proprietors' Incomes.....	\$ Billions	Feb.	58	58	56
Interest & Dividends.....	\$ Billions	Feb.	32	32	32
Transfer Payments.....	\$ Billions	Feb.	26	26	24
Farm Income.....	\$ Billions	Feb.	17	17	17
CONSUMER PRICES.....	1947-'9-100	Feb.	123.7	123.8	122.5
Food	1947-'9-100	Feb.	118.2	119.0	118.7
Clothing	1947-'9-100	Feb.	106.7	106.7	106.8
Housing	1947-'9-100	Feb.	128.5	128.2	127.3
MONEY & CREDIT					
All Demand Deposits*.....	\$ Billions	Feb.	110.6	110.1	105.5
Bank Debits*—g.....	\$ Billions	Feb.	89.4	87.8	79.5
Business Loans Outstanding—c.....	\$ Billions	Feb.	30.3	30.3	30.4
Installment Credit Extended*.....	\$ Billions	Feb.	3.8	3.8	3.2
Installment Credit Repaid*.....	\$ Billions	Feb.	3.5	3.4	3.4
FEDERAL GOVERNMENT					
Budget Receipts.....	\$ Billions	Feb.	6.6	4.5	6.3
Budget Expenditures.....	\$ Billions	Feb.	6.3	6.8	5.5
Defense Expenditures.....	\$ Billions	Feb.	3.6	3.7	3.5
Surplus (Def) cum from 7/1.....	\$ Billions	Feb.	(13.0)	(13.3)	(7.2)

PRESENT POSITION AND OUTLOOK

today. All things considered, the housing market appears to have completed its cyclical expansion, and is entering on a period of moderate decline, unless resuscitated by legislation.

Finally, consumer credit is now rising in its characteristic response to rising personal income and reemployment. The current rate of increase in consumer credit outstanding is very high, and is not likely to be sustained beyond the end of 1959. A credit problem of some importance may thus be an aspect of the consumer durables markets in 1960.

* * *

PRODUCTION TREND, BY SECTOR— among major industries, the fastest growth of production since the recovery began in the Spring of 1958 has clearly been in the metals area, and most notably in steel. Steel output in March was almost double the output in the same month of a year ago, and new weekly records for steel production are now being set. Total output of primary metals—including nonferrous as well as steel—is now over 50% ahead of a year ago, and still rising.

Very sharp production recoveries have also been experienced in the automobile and "other transportation equipment" categories, with freight-car builders enjoying an especially rapid gain in orders in recent months. Lumber manufacturers are producing at about 20% above a year ago. Gains in apparel, and in the chemical and petroleum industries, average about 15%. The machinery industries have experienced a recovery in output of only about 10%, but in this industry the advance is accelerating, while it is slowing in many other industries. The paper industry has also experienced a moderate but continuing gain in output.

* * *

PLATEAU IN CONSTRUCTION — the rapid rise in dollar spending for new construction that was such a feature of the last half of 1958 has slowed to a halt in the early part of 1959. The annual rate of outlays for private facilities, in its climb from about \$32.4 billion in the spring of 1958, reached about \$37.0 billion by early this year; in recent months it has

and Trends

QUARTERLY STATEMENT FOR THE NATIONAL ECONOMY

In Billions of Dollars—Seasonally Adjusted, at Annual Rates

SERIES	1958			1957—
	IV Quarter	III Quarter	II Quarter	IV Quarter
GROSS NATIONAL PRODUCT	453.0	439.0	429.0	438.9
Personal Consumption	296.5	291.5	288.3	287.2
Private Domestic Invest.	61.5	53.7	49.2	61.5
Net Foreign Investment	0.2	1.7	1.7	3.3
Government Purchases	94.8	92.0	89.7	86.9
Federal	53.8	52.2	50.7	49.1
State & Local	41.0	39.8	39.0	37.8
PERSONAL INCOME	359.1	357.5	349.8	349.7
Tax & Nontax Payments	43.7	43.5	42.3	43.0
Disposable Income	315.4	314.0	307.5	306.8
Consumption Expenditures	296.5	291.5	288.3	287.2
Personal Saving—d	19.0	22.5	19.2	19.6
CORPORATE PRE-TAX PROFITS	44.0	37.9	32.0	39.9
Corporate Taxes	22.4	19.3	16.3	19.9
Corporate Net Profit	21.6	18.6	15.7	20.0
Dividend Payments	11.8	12.5	12.4	12.0
Retained Earnings	9.8	6.1	3.3	8.0
PLANT & EQUIPMENT OUTLAYS	29.9	29.6	32.4	37.8

THE WEEKLY TREND

	Unit	Week Ending	Latest Week	Previous Week	Year Ago
MWS Business Activity Index*	1935-'9-100	Apr. 4	308.2	309.2	264.3
MWS Index—per capita*	1935-'9-100	Apr. 4	227.9	230.0	198.7
Steel Production	% of Capacity	Apr. 12	93.2	93.2	48.5
Auto and Truck Production....	Thousands	Apr. 11	170	170	110
Paperboard Production	Thousand Tons	Apr. 4	295	318	279
Paperboard New Orders	Thousand Tons	Apr. 4	358	306	335
Electric Power Output*	1947-'49-100	Apr. 4	249.8	249.6	222.2
Freight Carloadings	Thousand Cars	Apr. 4	590	604	516
Engineering Constr. Awards....	\$ Millions	Apr. 6	470	338	355
Department Store Sales	1947-'9-100	Apr. 4	117	141	134
Demand Deposits—c	\$ Billions	Apr. 1	55.9	56.6	54.1
Business Failures	Number	Apr. 2	284	297	352

*Seasonally adjusted. (a)—Private starts, at annual rates. (b)—F. W. Dodge unadjusted data. (c)—Weekly reporting member banks. (d)—Excess of disposable income over personal consumption expenditures. (e)—Estimated. (f)—Estimated by Council of Economic Advisors. (g)—337 non-financial centers. (na)—Not available. (r)—Revised. Other Sources: Federal Reserve Bd., Commerce Dept., Securities & Exch. Comm., Budget Bureau.

PRESENT POSITION AND OUTLOOK

clung to that level, but failed to advance. Residential outlays have continued up, but this improvement has been offset by slight further weakness in nonresidential spending. Outlays of federal state and local governments for construction have also stopped rising in the first few months of the new year.

* * *

GROSS NATIONAL PRODUCT — the total value of the national output of goods and services, climbed to an estimated \$465 billion in the first quarter, up about \$12 billion from the last quarter of 1958. About one-third of this quarter-to-quarter increase reflects added expenditures by consumers, which are now running at close to \$300 billion per year. Another one-third of the increase represents a rise in the rate of inventory demand from about zero in late 1958 to about \$3.5 billion per year in the first quarter (a further rise in inventory demand has occurred in the early part of the second quarter). The remainder of the gain has come in government spending for goods and services—mostly by state and local governments. The federal government spending rate was little changed from the late months of 1958.

THE MAGAZINE OF WALL STREET COMMON STOCK INDEXES

No. of Issues (1925 Cl.—100)	1958-'59 High	Range Low	1959 Apr. 3	Apr. 10	(Nov. 14, 1936 Cl.—100)	High	Low	Apr. 3	Apr. 10
300 Combined Average	466.5	283.9	466.2R	466.2	100 High Priced Stocks	286.3	189.7	284.0	284.5
					100 Low Priced Stocks	642.5	334.7	642.5R	641.6
4 Agricultural Implements	426.0	196.5	415.5	415.5	5 Gold Mining	962.8	530.5	895.3	886.8
3 Air Cond. ('53 Cl.—100)	131.1	87.8	127.5	127.5	4 Investment Trusts	190.6	144.4	183.3	183.3
10 Aircraft ('27 Cl.—100)	1338.3	982.2	1326.0	1338.3H	3 Liquor ('27 Cl.—100)	1564.6	913.4	1504.4	1519.4
7 Airlines ('27 Cl.—100)	1429.4	638.8	1359.0	1429.4H	8 Machinery	505.6	343.8	496.7	505.6H
4 Aluminum ('53 Cl.—100)	443.7	253.4	426.5	430.8	3 Mail Order	326.2	143.3	321.3	326.2H
5 Amusements	227.5	125.0	217.9	227.5H	4 Meat Packing	249.6	123.6	245.6	243.7
6 Automobile Accessories	461.6	298.9	457.6	461.6H	5 Metal Fabr. ('53 Cl.—100) ..	207.7	138.1	199.0	199.0
6 Automobiles	107.1	40.8	103.2	107.1H	9 Metals, Miscellaneous	409.6	278.3	395.0	391.3
4 Baking ('26 Cl.—100)	41.3	28.5	40.6	40.9	4 Paper	1275.4	841.8	1263.7	1240.3
4 Business Machines	1317.2	898.2	1291.2	1291.2	22 Petroleum	885.5	629.7	843.8	843.8
6 Chemicals	760.8	509.5	747.2	747.2	21 Public Utilities	362.0	258.9	362.0	362.0
4 Coal Mining	34.5	18.4	34.5	31.7	6 Railroad Equipment	99.8	59.2	97.2	97.2
4 Communications	202.1	85.7	202.1	198.9	20 Railroads	76.7	43.0	73.1	73.1
9 Construction	171.2	107.5	168.0	166.5	3 Soft Drinks	640.1	445.6	640.1	640.1
7 Containers	1142.6	707.3	1076.7	1043.8	12 Steel & Iron	419.2	249.3	404.0	396.3
6 Copper Mining	344.6	184.6	327.9	325.1	4 Sugar	144.7	102.8	123.9	122.6
2 Dairy Products	150.3	115.6	148.8	150.3	2 Sulphur	863.3	543.4	840.4	832.8
6 Department Stores	132.0	78.9	129.7	129.7	11 TV & Electron. ('27 Cl.—100)	85.0	28.8	85.0	82.9
5 Drugs-Eth. ('53 Cl.—100)	443.4	217.2	431.5	443.4H	3 Textiles	204.9	106.9	204.9	201.3
6 Elec. Eqp. ('53 Cl.—100) ...	287.4	195.8	282.1	287.4	3 Tires & Rubber	243.7	142.3	241.6	241.6
3 Finance Companies	747.2	568.8	690.5	683.3	5 Tobacco	188.1	110.9	184.8	186.5
5 Food Brands	438.1	255.5	426.2	414.2	3 Variety Stores	350.9	239.3	341.1	341.1
3 Food Stores	279.6	182.2	271.5	268.8	20 Unclassif'd ('49 Cl.—100) ...	273.0	145.4	268.3R	268.3

H—New High for 1958-1959. R—Revised.

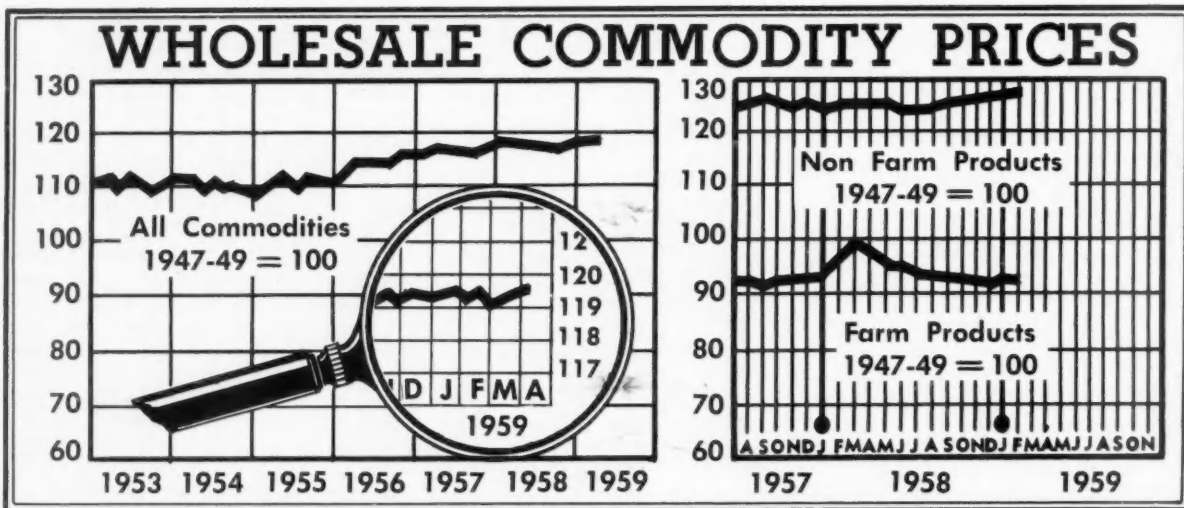
Trend of Commodities

SPOT MARKETS—Rising food prices and somewhat lower quotations for industrial raw materials, counterbalanced each other in the two weeks ending April 10, and as a result, the BLS index of 22 sensitive commodities held unchanged. Among industrial materials, metals were especially weak. This component fell 4.1% as the result of lower quotations for copper scrap, steel scrap and tin. Burlap and tallow also were lower while cotton, hides and wool tops improved.

Among the rank and file of commodities, small gains were the rule and the BLS comprehensive weekly index gained 0.2%. The farm products component added 0.4% and the index of all items other than farm products and foods rose 0.1% to a new high. With the nation's money supply rising sharply in recent months, commodity prices should be watched for signs of inflationary pressure.

FUTURES MARKETS—Commodity futures markets were buoyant in the two weeks ending April 10, with most futures showing good gains. Among actively traded commodities, only copper, zinc, eggs and potatoes were backward. The Dow-Jones Commodity Futures Index advanced 2.60 points during the periods to close at 151.7.

Wheat futures were higher in the period under review, led by new crop options. The old May wheat rose only $\frac{1}{2}$ cent but the September new crop option rose $4\frac{1}{2}$ cents. The later deliveries. Wheat support legislation is moving ahead in parts of the winter and spring wheat belts. Reports of heavy winter kill in certain areas, brought buying into the deferred deliveries. Wheat support legislation is moving ahead in Congress and is expected to effect prices more strongly in coming weeks.



BLS PRICE INDEXES 1947-1949=100

	Date	Latest Date	2 Weeks Ago	1 Yr. Ago	Dec. 6 1941
All Commodities	Apr. 7	119.5	119.3	119.3	60.2
Farm Products	Apr. 7	90.9	90.3	97.7	51.0
Non-Farm Products	Apr. 7	127.9	127.8	125.5	67.0
22 Sensitive Commodities	Apr. 10	86.8	86.8	84.6	53.0
9 Foods	Apr. 10	81.3	80.9	90.1	46.5
13 Raw Ind'l. Materials	Apr. 10	90.7	91.0	80.8	58.3
5 Metals	Apr. 10	91.9	95.8	81.0	54.6
4 Textiles	Apr. 10	78.1	76.8	76.4	56.3

MWS SPOT PRICE INDEX

14 RAW MATERIALS

1923-1925 AVERAGE—100

AUG. 26, 1939—63.0 Dec. 6, 1941—85.0

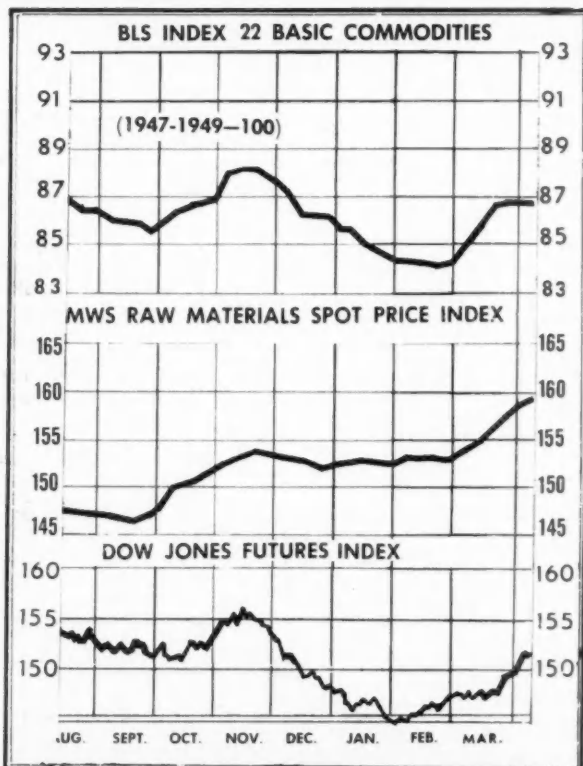
	1959	1958	1953	1951	1941
High of Year	159.2	154.1	162.2	215.4	85.7
Low of Year	152.1	146.5	147.9	176.4	74.3
Close of Year		152.1	152.1	180.8	83.5

DOW-JONES FUTURES INDEX

12 COMMODITIES

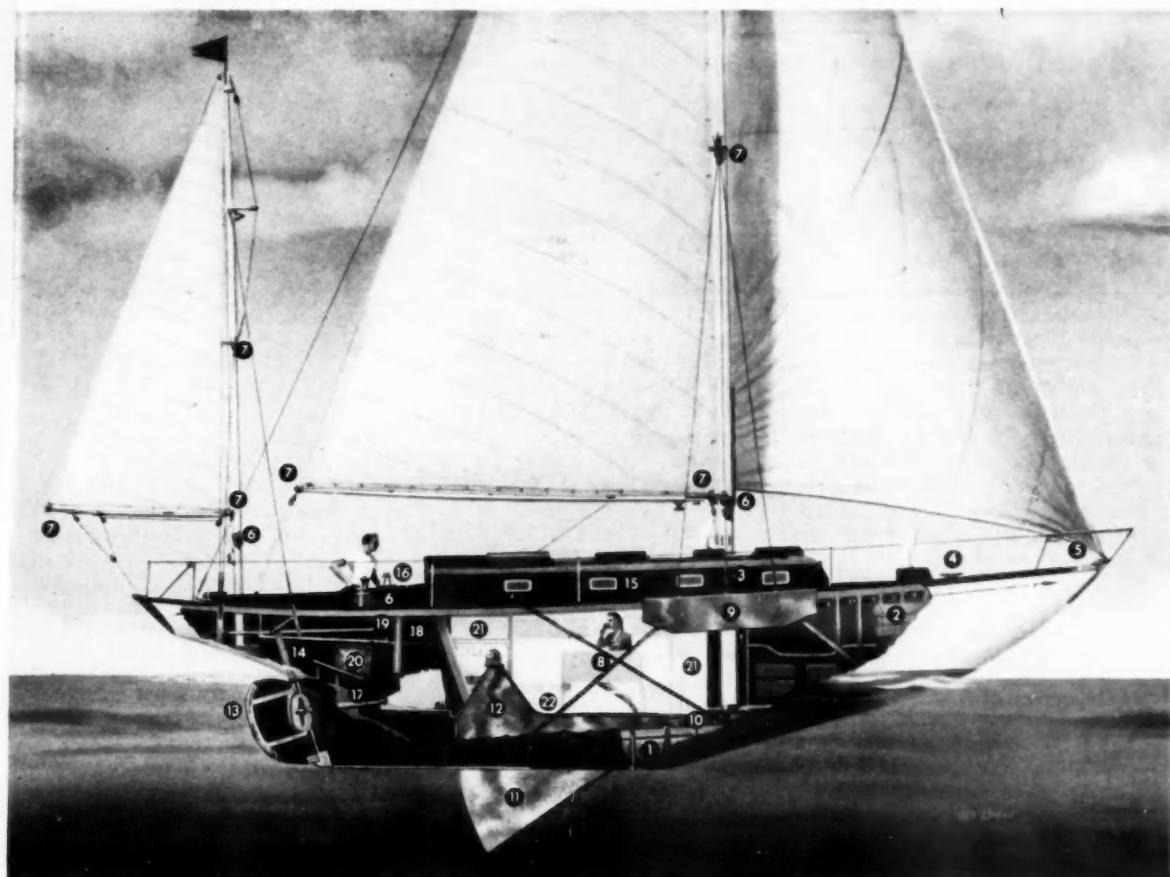
AVERAGE 1924-1926—100

	1959	1958	1953	1951	1941
High of Year	151.9	159.0	166.8	215.4	84.6
Low of Year	144.2	147.2	153.8	174.8	55.5
Close of Year		147.6	166.5	189.4	84.1



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Keyed cutaway of a Nevens 40-foot yawl shows a few of the many places where Anaconda Marine Metals are used in building fine boats. Designed by Sparkman & Stephens, N. Y. Built by Nevens Yacht Yard, City Island, N. Y.

How metals from Anaconda make smooth sailing for boatmen ...and all industry

REFERENCE LIST

FASTENINGS: 1 Keel and frame bolts, 2 screws for planking, fittings, and hardware—Everdur.
FITTINGS: 3 turnbuckles, 4 cleats, 5 chocks, 6 winches, 7 all spar fittings—Everdur.
STRUCTURAL: 8 Hull strapping, 9 chain plates, 10 mast step, 11 centerboard and 12 trunk, 13 rudder strapping and linings—Everdur. Power boat metal parts in slipstream or turbulence—naval brass, manganese bronze or phosphor bronze. 14 Rudder post—Tobin Bronze.
HARDWARE: Hinges, handles, 15 lights, trim, 16 binnacle housing—brass or Everdur.
POWER: 17 Propeller shafting—Tobin Bronze. For high speed, heavy duty—Tempaloy. Fuel line, 18 muffler, 19 exhaust tubing—copper.
20 Fuel tank—tinned copper or tinned Everdur.
MISCELLANEOUS: 21 Plumbing for head and galley—copper tube with brass or bronze fittings.
22 Water tanks—tinned copper or tinned Everdur.

Rough water, salt spray, brisk winds—the very elements that make boating the popular and thrilling sport it is—are also a boat's relentless enemies. To withstand the twists and strains of even normal running and to stave off corrosion's attack, metals of many special kinds are required: For instance, Everdur® for fittings and fastenings; Tobin Bronze® and Tempaloy® for propeller shafting.

Because the yawl above contains virtually every important metal part found on any type of pleasure boat, it illus-

trates the numerous ways these Anaconda Metals make for sound construction and safer boating. The development of marine metals for pleasure, naval, and commercial craft demonstrates just one facet of Anaconda's broad research program in the non-ferrous metal field.

If you would like to receive a free copy of our illustrated twenty-page booklet, "Know the Metals in Your Boat," write to Department S, The Anaconda Company, 25 Broadway, New York 4, N. Y.

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Minnesota Mining & Manufacturing Co.

"As a subscriber to your magazine for some years, I would appreciate recent data on Minnesota Mining & Manufacturing Co. Do you think this company's growth prospects continue bright?"

A. E., Scarsdale, N. Y.

Minnesota Mining & Manufacturing Co., maker of various Scotch type pressure sensitive tapes; coated abrasives; adhesives, coatings, electrical products; graphic products, some building products and also some chemicals and plastics, has had a remarkable record of growth over the years and growth prospects continue bright.

The company reported consolidated sales of \$376,293,016 for 1958, compared with 1957 sales of \$370,106,838. Common stock earnings last year were \$43,669,033, equal to \$2.58 per share, compared with \$39,446,588, or \$2.34 per share in 1957. Both sales and earnings represent new highs for 3M.

Increased earnings were due primarily to progress made in controlling costs and improving operations, although increased sales and a changing product mix also were factors.

Foreign sales volume in 1958 was the highest for any year since the company's direct entry into foreign markets eight years

ago, totalling \$79.9 million compared with \$66 million in 1957. Dollar income received from the foreign subsidiaries increased substantially over 1957 but a major portion of earnings was reinvested to finance current operations and future growth.

At the end of the year negotiations were underway for the establishment of manufacturing facilities in Japan and Italy. Tape converting operations were established in the Union of South Africa during 1958 and full scale manufacturing operations are planned for that country by the end of 1959.

Research continued to be a major factor in 3M operations. The company spent about \$16.5 million, some 4% of sales—for research and related laboratory activities during 1958 and almost 25% of the company's sales for the year came from products developed and marketed in the past five years.

Common stock dividends during 1958 were \$1.20 per share. (The quarterly common stock dividend was increased to 35 cents by 3M's board of directors on February 9 of this year).

The company retired all of its outstanding preferred stock in 1958 with \$7 million received from an employees' stock option plan.

Earnings have shown a steady

although moderate rise in each of the past five years.

Owens-Illinois Glass

"Please give me a comparative analysis of sales and earnings of Owens-Illinois Glass for the past two years and the outlook for 1959."

D. G., Park Ridge, Illinois

Owens-Illinois Glass Co's earnings in 1958 were higher than those of 1957 but sales dropped slightly because of the sale of assets of the company's Kaylo Division and adverse market conditions, especially during the first six months, in the container board and corrugated box segments of the business.

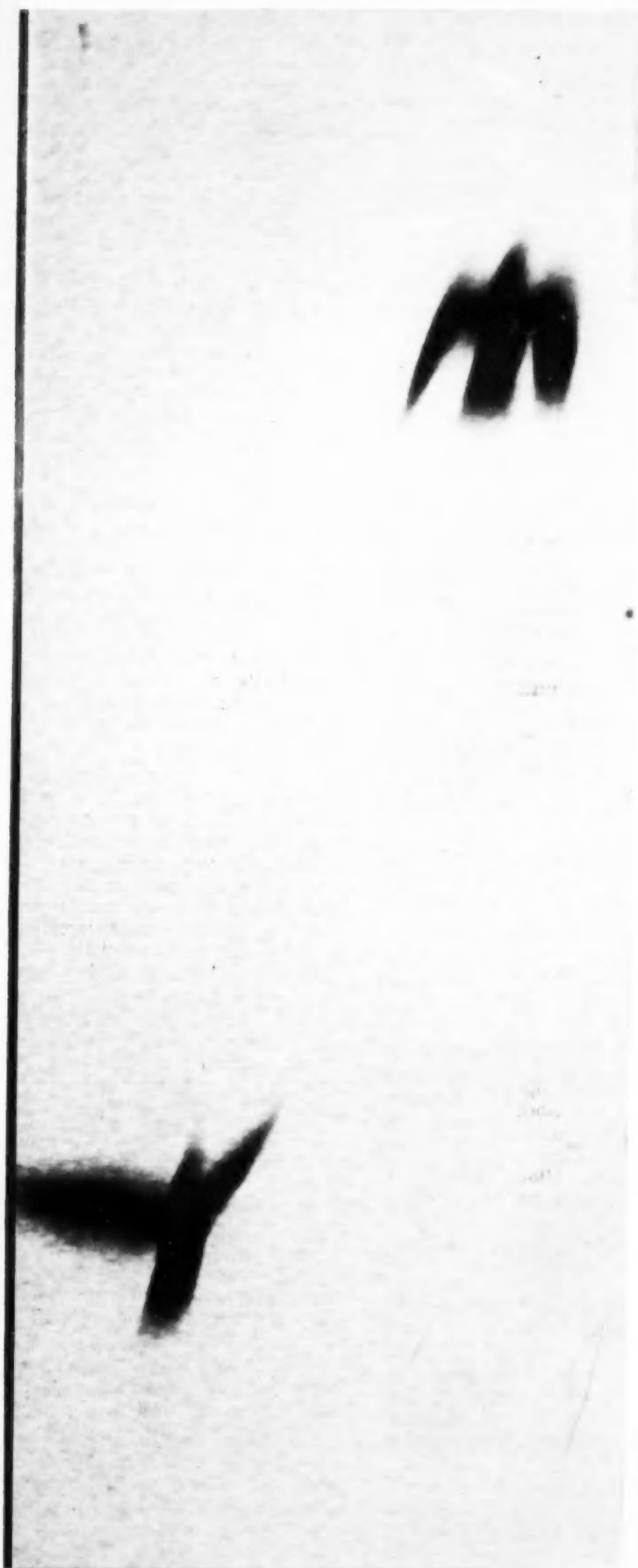
Net earnings for 1958 were \$37,772,005 on sales of \$508,459,930, compared with 1957 earnings of \$35,810,017 and sales of \$510,486,850. After preferred dividend requirements, earnings were \$4.82 per common share last year and \$4.55 in 1957. Non-recurring gains totalled 70 cents a share in 1958 compared with 24 cents in 1957.

During the last half of the year, glass container factories in Cuba and Venezuela began operations. A third Latin America facility, near Bogota, Colombia, is expected to become operational in the last half of 1959.

A substantial portion of the company's capital expenditures in 1958 were made in foreign investments. Of a total expenditure of \$23,748,300 for additions and replacements, \$5,526,700 was expended outside the United States.

Most important addition to domestic facilities was a machine shop at Godfrey, Illinois.

New equipment was installed at pulp and paper mills in Jacksonville, Florida and Big Island, Virginia. The Paper Products Division opened a box factory in Kansas City, Missouri, and started operation of a small sheet converting plant in Mercedes, Texas. A new box plant on the
(Please turn to page 184)



The shape of flight

The shapes of things that fly have always been determined by the materials they are made of. Feathers form wings that are basically alike for all birds—and membrane forms an entirely different wing for insects. It takes thousands of years, but nature improves its materials and shapes, just as technology improves the materials and shapes of aircraft. But here, the improvements in materials are so rapid that designs become obsolete almost as soon as they are functional.

Today, our aeronautical designers and missile experts work with types of materials that didn't exist just a few short years ago. Steels are probably the most important examples: United States Steel has just developed *five* new types of steel for the missile program. They are called "exotic" steels because they have the almost unbelievable qualities necessary for unearthly flights.

The shape and the success of our space birds depend on steel.

USS is a registered trademark

USS United States Steel

The Bubbling Soft Drink Industry

(Continued from page 157)

Perhaps the single most important development in the industry in the past year, however, has been the remarkable success of the 16-ounce cola drink, particularly those which compete price-wise with established 12-ounce brands. Relatively new firms (privately owned), such as 3V Cola, Double Cola and Lotta Cola, have enjoyed rapid growth simply by offering the consumer greater quantity for his money. These companies are competing efficiently because they do not indulge in wide-spread public advertising, but rather make a limited pitch to bottlers and retailers through trade publication. What direct advertising and promotion they do is aimed at the younger set, which has always been more interested in quantity than quality or prestige.

The 16 oz. Bottle

The successful promotion of the 16-ounce and family size drink is resulting in a number of important ramifications. For one thing, it is providing a mild boom for manufacturers of filling machines, bottles and pellets. But it is also narrowing bottlers' profit margins by increasing costs, on the one hand, and decreasing numerical bottle sales through an increase in the ounces per bottle, on the other hand. Bottlers' profits are based on cases, not ounces. Syrup manufacturers, however, whose chief concern is only the sale of ingredients, should benefit from the indicated increase in fluid ounce consumption per capita.

The New Lines

As to new flavors, both Coca-Cola and Pepsi-Cola are field testing new drinks. Pepsi has announced that extensive field tests have been conducted on a new lemon-lime beverage. Consumer sampling, they say, has produced a highly encouraging reaction. The firm already makes available a line of flavors for use with pre-mix. Other soft drink producers across the nation prepare, blend and package anywhere from a dozen or so to a hundred different flavor extracts.

New Across The Country Expansion

Stepped-up competition is also resulting from the aggressive expansion programs of various companies into new geographic areas. The Dr. Pepper Co. provides an excellent example. The company recently introduced its products into the New York and Chicago areas, the world's two largest consumer markets, as well as other large midwestern cities, including Detroit, Des Moines, Toledo, and a number of others. According to the company, this expansion is part of a master plan to gain complete national distribution by 1960. Nineteen new markets were franchised in 1958, seventy in the past three years. Addition of recent markets increases Dr. Pepper's territorial coverage to 70% of the domestic population.

Concerning soft drink prices, a most important news item broke a few weeks ago in Atlanta, Georgia, when major brands finally moved wholesale prices in the area up from 80¢ to \$1. per case. To sentimentalists, this action marked the end of the 5¢ bottle of pop at retail in its last stronghold. It also called attention, however, to the other end of the problem: in areas such as the Northeast, where a price level of \$1.60 a case has been in effect for several years, there is not much room for another increase without in turn boosting retail prices above a dime a drink. One industry executive feels that if this ever should happen, the industry could price itself right out of its market.

Against this background, it seems unlikely that syrup manufacturers or bottlers will soon return to the good old days of ten to twenty and more years ago, when pre-tax profit margins of 30% were not uncommon. But it would be most surprising if the industry didn't extend the persistent growth pattern of the past well into the future.

Canada Dry Corp. provides one of the widest varieties of soft drinks in the industry. It also imports alcoholic beverages, for those who prefer mixed drinks. More than 280 soft drink bottling plants are operated in this country and abroad.

The company is hopeful of attaining a new sales record of \$100 million or more in the fiscal year

ending September 30, 1959. Volume in fiscal 1957-58 was \$93.8 million. A comparable gain in earnings is likely, due to favorable overseas business and improved domestic operations, resulting from decentralization of facilities.

Coca-Cola Company is the dominant company in its field. Both in gallons sold and dollar receipts, 1958's sales again exceeded the highest previous record in the company's 72-year history. Volume from king size and family size containers, and fountain and pre-mix business, registered important gains.

Coke is now marketed in more than one hundred countries. This business now represents more than a third of total sales and earnings.

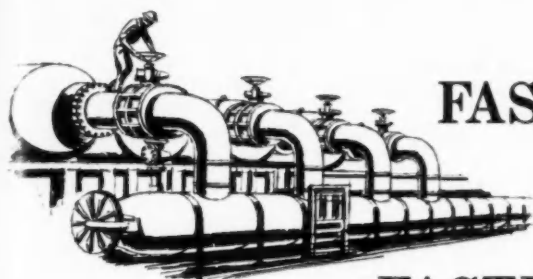
Although the company looks for new record sales in 1959, higher promotional and advertising expenses may limit the profits gain to more moderate proportions. Recent introduction of new flavored soft drinks under the name Fasta in limited markets could mark an important step toward broadening the base of its sales and earnings potential.

Dr. Pepper Company is a moderate size syrup maker. Owing to its recent expansion into large new markets, sales are expected to show a large percentage gain in 1959. However, promotional expenses will be heavy as the company strives for public acceptance in these areas. Consequently, shareholders are not likely to taste the full fruits of the company's expansion program for several years. Despite growing capital requirements, the 60¢ per share annual dividend was covered by a narrow margin the past two years.

The Charles E. Hires Co. is another moderate size syrup manufacturer. Despite a small drop in sales, profits in the fiscal year ended September 30, 1958, increased to 94¢ per share from 69¢. During the course of the year, fifteen new franchise bottlers were added to the company's distribution pattern.

With another earnings' gain likely this year, the 15¢ quarterly dividend seems well protected.

Pepsi-Cola Co. is the second largest in the cola-type soft drink field. Concentrate and bottling plants are operated both in this country and abroad.



FASTEST-GROWING FUEL in America's FASTEST-GROWING REGION

*El Paso Natural Gas Company reports record deliveries
of Natural Gas to customers in the West*

Natural gas is America's fastest-growing energy source, and El Paso Natural Gas Company and its subsidiaries serve natural gas's fastest-growing market.

Deliveries of gas were at record highs in 1958 as El Paso and subsidiaries continued to expand their pipeline systems and increase their gas reserves to meet the long-term energy demands of the West.

For the second consecutive year, gas deliveries totalled more than a trillion cubic feet.

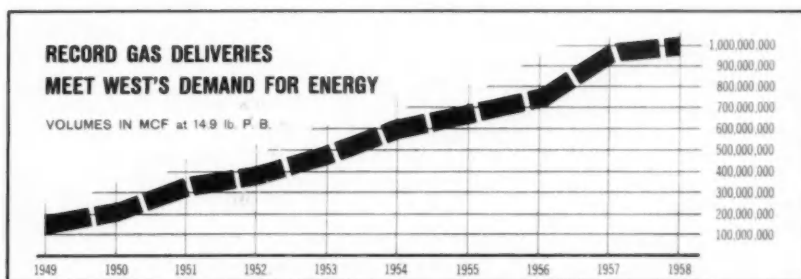
Extensive exploration and purchase programs brought total gas reserves at year's end to an all-time high of 38.8 trillion cubic feet—assuring vitally needed energy supplies for western consumers and industries in the years ahead.

El Paso's 1958 annual report, distributed to its 51,835 stockholders (an increase of 10 per cent in 1958) reports consolidated gross revenues for 1958 of \$368,299,522, compared with 1957's \$301,090,537. Net income was \$35,308,813 in 1958, compared with \$34,506,238 in 1957.

The report gives details of 1958's accomplishments, as well as plans to meet the future needs of western consumers—for natural gas, for petroleum, for petro-chemicals.

El Paso Natural Gas Company and its subsidiary, Pacific Northwest Pipeline Corporation, serve customers in California, West Texas, Arizona, Idaho, Nevada, New Mexico, Oregon, Utah, Washington, Wyoming and Colorado.

**For copies of El Paso's
1958 Annual Report
to Stockholders, write
to El Paso Natural Gas
Company, El Paso,
Texas.**



EL PASO NATURAL GAS COMPANY

Common Stock listed on the New York Stock Exchange, Midwest Stock Exchange and Pacific Coast Stock Exchange.

Registrars: New York, City Bank Farmers Trust Company; Chicago, The First National Bank of Chicago.

Transfer Agents: New York, The Chase Manhattan Bank; Chicago, Continental Illinois National Bank and Trust Company of Chicago.

Since new management took over nine years ago, sales have increased 167%, or about five times greater than the estimated growth of the rest of the industry. Due to aggressive promotion and advertising, Pepsi should continue its gradual growth.

Royal Crown Cola Co. (formerly Nehi Corp.) makes and sells concentrates of the basic flavors for its several beverages to exclusively franchised bottlers. Earnings for 1958 were unchanged from the \$1.19 of 1957.

In the past year, Royal Crown entered the Toledo and Detroit markets for the first time, and also introduced RC Cola and Nehi beverages in cans in the New York City market.

W. H. Glenn, the company's president, has predicted that "1959 will be the largest year in sales and profits in the company's history." Should this be realized, the 80¢ dividend may be supplemented by a small stock dividend, as it was in 1957. END

Companies Likely to Join the Stock Split Parade

(Continued from page 137)

Emerson is basically a manufacturer of electric fans and small horsepower motors used principally in household appliances, but in the last few years it has received a very large accretion of defense business, especially on the part of its Electronics and Avionics Division. Defense sales have not, however, become so large a tail as to wag the rest of the dog, and the company's success seems more firmly based than that of some of the more spectacular government contractors. Emerson has shown a rapid rise in earnings since 1954, and 1958 net income per share of \$3.49 withstood the recession by showing a narrow gain over that for the preceding year. The stock is priced at about 18 times earnings.

In the railroad industry, **Kansas City Southern** also turned in a creditable performance last year by limiting its earnings decline narrowly to \$8.63 from \$9.29 the year before. This road enjoys the substantial advantages of an "air line" between its Kansas City

and Gulf terminals, a minimum of cash-draining passenger service, and a near-absence of branch lines. The territory served has been primarily agricultural in the past, but is now experiencing a rapidly growing industrialization. The stock last split in 1953, when it was at just about its present level. The unpopularity of the railroads as investments seems much more than fully discounted by the low, 9.5 times price/earnings ratio, at which Kansas City Southern is currently available.

Merck, a leading domestic manufacturer of ethical drugs, demonstrated its immunity from last year's recession by reporting earnings of \$2.53 per share vs. \$2.20 for 1957. While the company is very broadly diversified, vitamins, steroid hormones (used largely for the treatment of arthritis) and antibiotics account for over half of its sales. As is typical of the drug industry, operations are world-wide, and foreign sales now contribute about 25% of earnings. An investor participating in a company like this, with its limited yield, must subordinate current income to future earnings, but the stock has advanced substantially as have others leaders in its industry.

Pennsalt (formerly Pennsylvania Salt Co.) was also among that select group of companies which reported earnings gains last year; in this case the increase was to \$2.86 from \$2.40 a share. The company is almost exclusively a manufacturer of industrial chemicals for other industries, such as chemicals, soaps, pharmaceuticals, paints, paper, metal refining, etc. This status, remote from the consumer, has kept Pennsalt from becoming familiar to the investor, despite its age (founded in 1850) and favorable record. Last year's earnings gain was accomplished despite a narrow set-back in sales, but otherwise sales have increased almost uninterruptedly, from around \$22 million as recently as 1946 to \$80 million at present. With a total balance sheet of only \$85 million and only a million and a quarter shares outstanding, Pennsalt is still a modest operation compared with some of the giants in its industry, but by the same token it still has plenty of scope for future growth.

Previously split 2-for-1 in 1949 and in 1955, **Caterpillar Tractor** is again approaching the level where a split is indicated. This company is by far the largest manufacturer of crawler-type diesel tractors, used extensively in construction, mining, quarrying, road-building and numerous other activities. As a capital goods producer, Caterpillar is unavoidably vulnerable to fluctuations in sales and earnings, but its record has been surprisingly steady, with a marked upward trend. The unexpectedly rapid recovery from last year's recession, and the resumption of programs for the expansion of industrial capacity, certainly indicate a reversal of last year's earnings decline to \$3.48 a share from \$4.35 in 1957. This outlook has, however, been very fully recognized by the market price, and at a multiple of earnings pretty nearly twice the "normal" level, caution in making new purchases is advised.

In an era when stock buyers are clustering most eagerly about electronics and rocket fuel issues, food stocks may look like unexciting wallflowers. Just the same, many of these, like the girls who do not make the beauty parade, have more enduring if less conspicuous attractions. **General Mills**, for example, is still available at a price/earnings ratio only moderately enhanced over the average relationship for the past decade. The company is, by a wide margin, the largest domestic flour miller, its product being delivered both in bulk to the baking trade and in packaged form through retail outlets. Most familiar to the housewife are its Gold Medal and Betty Crocker brands. The American public has shown a disturbing tendency to reduce its consumption of baked goods, but General Mills has, nevertheless, by diversification and the expansion of its market which the rising population automatically creates, shown a steady if unspectacular sales growth. Earnings in the twelve months ended last November (not the company's fiscal year) also gained to \$6.49 from \$5.50 in the preceding period. The issue looks distinctly attractive for investors seeking assured steady income rather than problematical spectacular profits.

(Please turn to page 172)



W.R. GRACE & CO. REPORTS ON 1958

W. R. Grace & Co. reported net earnings per share of \$2.07 for 1958, compared to \$3.31 for 1957. Lower profits from our operations in Latin America and from Grace Line were partially offset by higher earnings of the Company's growing chemical business. For the first time since the Company entered the chemical industry in 1952, earnings from our chemical divisions amounted to more than half of the total net profits.

For 1959 the prospect for most of the Company's businesses in the United States and in Latin America is more favorable than a year ago. Stronger demand for the Company's chemical products and the improved business climate both in the United States and in Latin America indicate that Grace's earnings should improve in 1959.

Results to date this year confirm this feeling of optimism.

For a detailed account of the Company's operations in 1958, write today for your free copy of the new Annual Report.

Highlights of the Year's Operations

Year Ended
December 31, 1958

	1958	1957
Sales and Operating Revenues	\$434,234,391	\$459,727,553
Net Income After Taxes	\$ 10,039,855	\$ 15,459,247
Per Share of Common Stock	\$ 2.07	\$ 3.31
Cash flow per share	\$ 7.51	\$ 8.29
Preferred Dividends Paid	\$ 928,664	\$ 928,664
Common Dividends Paid	\$ 9,692,815	\$ 10,540,586
Per Share—at rate of	\$ 2.20	\$ 2.40
Net Working Capital	\$130,295,418	\$120,631,720
Current Ratio	2.7 to 1	2.5 to 1
Net Fixed Assets	\$221,931,925	\$207,546,424
Stockholders' Equity per Common Share	\$ 47.44	\$ 47.70
Number of Common Stockholders	28,052	24,539
Number of Employees	38,400	42,100

W. R. GRACE & CO.

Executive Offices: 7 Hanover Square, New York 5



CHEMICALS • LATIN AMERICAN ENTERPRISES • OCEAN TRANSPORTATION

The proud possessor of a dividend record unbroken since 1885, **Sherwin Williams**, is the country's leading manufacturer of paints and varnishes, accounting for perhaps 18% of total industry sales. The company has been, perhaps, too conservative; it is among that small minority which still issues only a few austere financial accounts as its annual report, and it releases no interim statements at all. Growth has been steady rather than spectacular, but since the depression years there has been hardly a serious interruption to the upward trend in sales and earnings. Even the earnings of \$11.48 per share for fiscal 1958 showed a slim gain of 10¢ over those for the preceding period. The stock last split in 1947 at a price of around 140. Sherwin has eschewed the merger path, and is not the stock for investors looking for excitement, but may be counted upon to extend its favorable record. As a word of caution, however, its stock has already shown rapid appreciation during 1958-59 and is now selling at nearly double its former normal price/earnings multiple.

The unyielding opposition of Uncle Sam recently forced **Youngstown Sheet & Tube**, after a long engagement, to call off its proposed union with Bethlehem Steel, but Youngstown is still the sixth largest domestic steel producer in its own right. The company is fairly well integrated, controlling iron ore sources and coal mines, although it lacks the transportation system of the Big Two in steel. With its output concentrated, as its name suggests, in the heavier items, Youngstown has also been a little more erratic than the more diversified steel companies. The merger with Bethlehem was designed to correct these deficiencies; now it remains to be seen what steps the Youngstown management will take independently to modify its operations. It seems possible that the company may be able to gain on the rest of the industry. While earnings fell off sharply last year to \$6.23 per share from \$12.35 in 1957, they have otherwise been reasonably stable — considering the characteristics of the industry since World War II, and upon a normal earnings basis the price multiple would be re-

duced to a reasonable figure.

It should be emphasized again that while the anticipation of a split normally gives some advantage in terms of interim market performance, only a company's basic and continuing prosperity can justify the split and make its stock a desirable long-range investment. In the foregoing discussion of ten companies likely to effect early splits, we have attempted to look beyond the merely technical operation to the factors that will influence future earning power. Most of these companies look relatively attractive in the current market. The current market, however, is historically high and experience suggests that some opportunity to purchase stocks at lower price/earnings ratios is likely to be offered in the future. END

Definite Improvement In The Machinery And Machine Tool Industry

(Continued from page 155)

orders for both these lines were exceeding shipments in the first quarter of 1959, which promises improved sales for the coming year. However, because of the uncertainty as to the extent of improvement and the response of margins at these lower levels of sales an earnings estimate would be unrealistic. A return to profitable operation is anticipated in 1959.

Approximately half of **Clark Equipment's** volume is derived from the company's line of fork left trucks, towing tractors and straddle carriers. This Industrial Truck Division provides the company with the materials handling equipment industry leadership. The remaining sales are almost equally divided between construction machinery and heavy automotive components. The addition of Brown Trailers in 1958, an over-the-road truck trailer producer, gives the company a stake in the fast growing trucking industry. The Brown Trailer Division and the Industrial Truck Division are the two most promising areas of growth, and in the immediate years ahead should provide favorable gains in volume and earnings. Earnings per share should recover in 1959 from the \$2.70 earned in 1958.

Ingersoll-Rand provides capital goods on a world-wide basis to the utilities, chemical, petroleum heavy construction and shipbuilding industries. Because management has been reluctant to discuss company affairs little is known of operations. The record, however, speaks for itself. Sales have grown well in the postwar period and profit margins have been maintained at high levels. Earnings have more than doubled in the last ten years, (ignoring the recession year 1958), following the lead set by sales. Normal growth seems to be about 6% per year excluding unusual peaks, and should be resumed in 1959. There is no debt and only a small amount of preferred ahead of the six million common shares. Dividends have been liberal and averaged 67% of available earnings in the last ten years. However, price of the stock has considerably discounted the outlook.

Link-Belt has two basic product lines, mechanical power transmission machinery and materials handling machinery, including power shovels and cranes. The first category includes chain drives, bearings, gears, pulleys and the like. Material handling equipment is mainly the type which conveys materials and does a limited amount of processing such as sorting and sizing. Engineering services are also an important part of the company's business. The labor saving nature of much of the company's products appears to insure growth, what with the ever rising cost of labor. Over the near term a return to \$5.00 to \$6.00 per share is anticipated.

Worthington Corporation is largely a custom manufacturer of a wide variety of equipment for air-conditioning, heating, refrigeration and steam power components. The company serves a representative cross section of the economy which gives it a good degree of stability. Only one market accounts for as much as 20% of sales, and all are basic industries. Exports account for about 15% of volume. Strong postwar growth has been demonstrated but with interruptions coinciding with the three recessions since the end of the war. Gross margins have been relatively stable and were moving up until 1958 when volume was off slightly from the year before. This is one of the quality issues of the heavy goods indus-

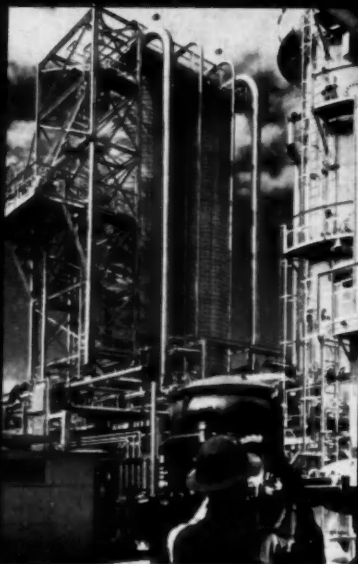
What's happening at BLAW-KNOX?

Blaw-Knox is where new and important things happen. You'll find Blaw-Knox developing advanced machines and equipment to track and guide moon-missiles, to roll aluminum thinner than newsprint, to pave superhighways in record time.

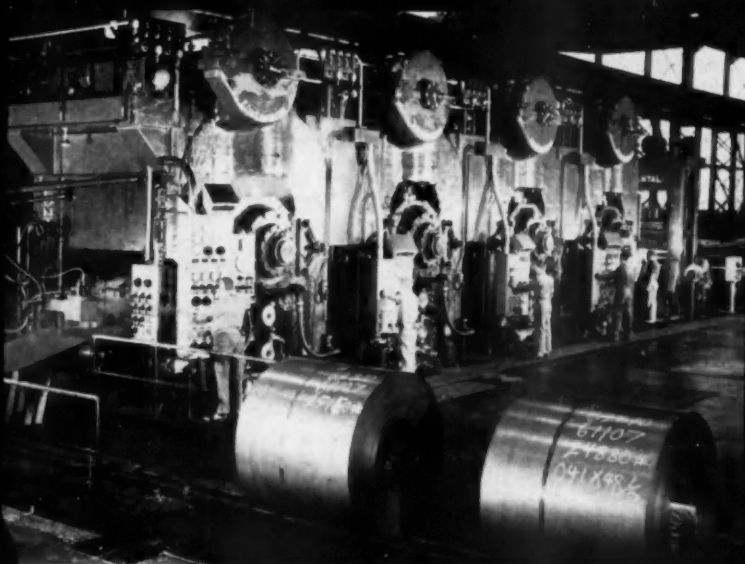
You'll find Blaw-Knox leading in the design and construction of complex chemical plants for making rocket fuels. And

throughout industry, you'll find Blaw-Knox machines and equipment leading the way to faster, more economical, industrial production.

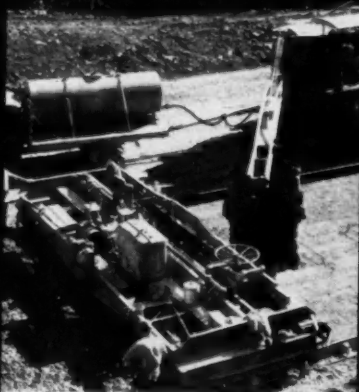
For Blaw-Knox, with 10,000 employees and 17 plants, is the company with the men and machines to help industry push ahead. Get complete details by writing for a copy of "This is Blaw-Knox."



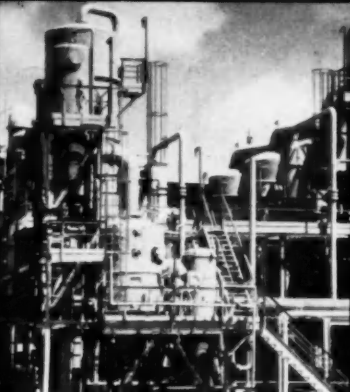
ENGINEERING AND CONSTRUCTION: Design, engineering, and construction of processing plants for the chemical, petrochemical, petroleum refining, and related industries; power piping, and metal grating and treads.



METAL PRODUCING: Recent addition of Aema-Standard Division broadens the scope of facilities, products, and services offered by Blaw-Knox. Complete primary and finishing rolling mills and auxiliary equipment; sheet and strip finishing equipment; electrolytic and hot dipped tinning lines; seamless pipe and tube mills; continuous butt weld pipe mills; drawbenches and cold draw equipment; cold finishing equipment; iron, alloy iron, and steel rolls; carbon and alloy steel castings; heat and corrosion resisting alloy castings; steel plant equipment.



PUBLIC WORKS: Machinery and equipment for concrete and black top paving of highways, airports, and roads; steel forms for shaping concrete dams, tunnels, bridges, aqueducts floodwalls, and roads.



PROCESS INDUSTRIES: Machines and equipment for processing food, dairy, pharmaceutical, and industrial chemical products; complete laboratory facilities for pilot and process development work.



POWER AND COMMUNICATIONS: Electric power and Microwave transmission towers, radio and TV Antenna towers, radio telescopes, missile and satellite tracking antennas, tropospheric scatter and microwave antennas, boiler cleaning and control equipment.



BLAW-KNOX COMPANY

Blaw-Knox Building, 300 Sixth Avenue, Pittsburgh 22, Pa.

try and favorable trends, both near term and long term, are expected. With a moderate gain in volume profit margins should improve sufficiently to bring down about \$5.50 per share in 1959.

Black and Decker Manufacturing Company could be one of the few machine tool producers which will enjoy an immediate increase in sales and earnings. This is because the company accounts for one-quarter of the portable electric tools sold in the U. S. These items are used mainly in maintenance and construction and home repair and utility, all areas which are likely to have increasing activity in the coming months. The hardware division accounts for almost one half of sales and it is this division which will reap the benefits of the growing home repair work and do-it-yourself trends. The foreign markets are important, contributing about one-quarter of total sales. Recovery in 1959 should be well above the \$3.16 per share earnings of 1958, but probably short of the better than \$5.00 earnings reported in 1956 and 1957.

Chicago Pneumatic Tool is a major producer of pneumatic and electrical industrial machinery

tools. Diesel engines and portable and stationary compressors also contribute to sales, followed by screws, pins, plugs and similar items. An important degree of stability is provided for operations by replacement and repair business which accounts for about 40% of total volume. Foreign sales are about 20% of total business. The largest customers are the aircraft, automobile, construction, machinery, oil, railroad, steel, electronic, and chemical industries. Under normal economic conditions the wide range of customers plus the balance between original equipment and replacement business provides a firm base for operations. Growth in the postwar period has been erratic but favorable and the down turn in 1958 could be temporary, for increasing volume and wider profit margins are indicated in 1959, pointing to earnings above \$2.00 per share.

Cincinnati Milling Machine is the largest domestic manufacturer of machine tools. The chief outlets for these products is in the automotive, electrical machinery, and fabricated metals industries, and general machine shops. The slump in machine tool business has severely curtailed operations.

Sales in 1958 were off nearly 30% and net income 62%. With the end of the recession, however, orders for machine tools have showed signs of picking up and the outlook is better for the first time in two years. In addition there is a considerable number of tools, perhaps 50% to 60% of those in use that are ten years old or older and are considered obsolete. But because of a long lead time between orders and delivery sales volume and earnings recovery will not be in evidence before late 1959 at the earliest.

Ex-Cell-O Corporation offers a wide range of products including precision parts, machinery and machine tools. The principal source of revenues is the production of blades, wheels, rotors and fuel injection equipment, all to precise standards and largely for military aircraft. Next in importance to volume, but probably more important to income, is the Pure-Pak dairy equipment. These machines, which coat, form, fill and seal milk cartons, provide stable and profitable rental income and have favorable growth potentials. A line of precision grinding and boring machine tools and accessories rounds out the product mix. Volume from this line is depressed now, but it normally accounts for twice its current contribution. Typically half of sales are generated by the precision parts division, with machine tools and dairy equipment 25% to 30% each and expendable tools 5% to 10%. Near term prospects are clouded by shifting defense emphasis from aircraft to missile but the company is expected to adjust to these conditions and continue to capitalize on its precision production know how. Only a moderate gain in per share earnings from 1958's \$2.91 is indicated for 1959.

Mesta Machine Company is one of the two leading producers of heavy steel mill equipment and machinery. Record earnings of \$6.81 per share in 1958 should at best be matched in 1959. Continued modernization and expansion of steel finishing facilities and further growth of exports is indicated to support earnings at current levels. Besides the steel industry large machinery and metal working concerns, arsenals, and general industry are also important sources of business. END



R. J. REYNOLDS TOBACCO COMPANY



QUARTERLY DIVIDEND

A quarterly dividend of 50c per share has been declared on the Common Stock, par value \$5, of the Company, payable June 5, 1959 to stockholders of record at the close of business May 15, 1959.

W. J. CONRAD,
Winston-Salem, N. C. Secretary
April 10, 1959



Makers of
CAMEL, WINSTON,
SALEM and CAVALIER
cigarettes
PRINCE ALBERT
GEORGE WASHINGTON
CARTER HALL
smoking tobacco



Opportunities in the Great Lakes and St. Lawrence Seaway Regions

(Continued from page 141)

shipped by this route overseas. As in the case of imports, the value of the exports would be substantially increased if other commodities, often interpreted as chemicals, were included. It is worth noting here the experience of one of the great chemical companies of this country. The Dow Chemical Company of Midland, Michigan, reports that on shipments to Rotterdam—from Midland to Detroit and then all water abroad—the average saving per ton as compared with shipping by rail to New York and then water, is \$25; to London it is \$23, and to Genoa \$8.50.

If such economies be combined with those resulting from improved port facilities, larger vessels, and transportation charges lower than those current, the prospect for additional business appears to be bright. In other words, once again, the competitive position of the manufacturer is advanced and continued growth seems assured.

"Inlandia" the New Industrial Center

In anticipation of the Seaway, a kind of Industrial Park has been proposed for northwestern Ohio, to be named "Inlandia." This is a tract of about 1200 acres near Bellafontaine, to be offered for use by a variety of industries. Its sponsors are hopeful that a permit will be granted by the U. S. Department of Commerce permitting them to incorporate Free Zone privileges. We note this program, not as a recommendation but rather to point out another action indicative of the faith of some businessmen in the benefits which the Seaway may bring to the Great Lakes Region.

The Dynamic Ohio River Valley

Forming a part of the southern limit of the Great Lakes Region is the Ohio River Valley. This valley is experiencing an era of unprecedented industrial expansion which conceivably may be augmented by the potentialities of the Great Lakes - St. Law-

Report from

THE CENTER OF INDUSTRIAL AMERICA



Here are highlights from the 1958 annual report of Ohio Edison Company and its subsidiary, Pennsylvania Power Company, on a consolidated basis:

Earnings per Common Share	\$ 3.60
Operating Revenue	\$ 137,650,000
Kilowatt-Hours of Electricity Sold	7,323,255,000
Electric Customers Served	651,126
Operating Expenses	\$ 71,912,000
Provision for Taxes	\$ 35,162,000
Net Income, after Preferred Dividends	\$ 22,967,000
Expenditures for Property Additions and Improvements	\$ 67,677,931
New Generating Capacity Added (kilowatts)	90,000

Ohio Edison and Pennsylvania Power with 12 other companies are members of the East Central Nuclear Group, Inc., (ECNG), which is engaged in a program of atomic research and development. Engineering studies and experimental investigation have been under way since March, 1958. A contract was entered into in February, 1959 between the Atomic Energy Commission and ECNG and the two Florida companies comprising the Florida West Coast Nuclear Group (FWCNG). The contract provides for research and development on a partnership basis with AEC, and the construction and operation by the Florida companies for a minimum of five years of a 50,000-kilowatt (electric) prototype of a 200,000-kilowatt reactor plant. The prototype is expected to be completed in 1963.

For a copy of the annual report write
L. I. Wells, Secretary of the Company.

Ohio Edison Co.

General Offices • Akron 8, Ohio

rence Seaway. All manner of manufacturing plants, with a preponderance thus far of steel, chemical and power, especially atomic power, are arising in this "American Ruhr." In addition to these industries, are plastics and electro-metallurgical plants. Currently, most of the materials used by these establishments as well as those manufactured by them, are hauled by rail and motor truck. Also, the Ohio-Mississippi Waterway connecting with the Gulf of Mexico is used for moving some imports and exports.

It is conceivable that as the Seaway develops efficiency, a portion of the import and export activity will find its way through Great Lakes Ports. Considerable quantities of coal now move that way. If our forecast be realized, land transportation facilities between the Ohio River and the Lakes will benefit.

Chicago now views its navigable waterway connection with the Mississippi River as one of its outstanding assets in its bid for the handling of import and export traffic for a part of its hinterland population. There is no reason why centers in the Ohio Valley may not look to the Seaway as an aid to them. All of this implies the stimulation of business, and for those firms that will be able to take advantage of these various effective ways of producing and trading, the future would seem to be auspicious.

New Opportunities For the Alert

In addition to the three great classes of commodities considered thus far, there is a long list of miscellaneous items which deserve favorable consideration (Table 2). Space, however, does not allow treating each one in detail. The principles already set forth are generally applicable in each instance. Most fields of production depend in a sense upon what is happening in other fields. If this be true, then by observing what the trend of events is in some industries, one may be able to capitalize upon dependent activities.

The Young Man With Practical Imagination

A young man, enthused by the forthcoming opening of the Seaway and observing early reactions to this event in the steel, chemical and other industries,

thought he saw an opportunity for the sale of laboratory glass-beakers, test tubes, funnels, more elaborate pieces of glass equipment, and for certain types of instruments. The growth of industries and of educational institutions which engage in scientific research convinced him of a developing market. Investigation gave him encouragement. He left the employment he had and launched an importing organization. The same physical facilities and monetary savings are available to him as to those whom he sells, and in addition he enjoys the benefits arising from the progress of his industrial customers. Although still in its swaddling clothes this man's venture seems headed for a lively growth.

The Thoughtful Merchant

An importer of wines who has been utilizing the Seaway for some time finds satisfaction in the prospect of improved facilities. He points out that he and others in the business, can bring wines into Great Lakes Ports via all water at no greater cost than if the wines were landed in New York. Accordingly, he saves the cost of inland transportation from New York. He finds also, that he can escape the payment of commission fees to New York agents and also warehouse charges there. All of this adds up to a profit, or in his words, "a profit increased from a nominal figure to something worthwhile."

A Harvest for the Realtor

The realty field appears to be worth careful examination by those temperamentally inclined toward this realm. Railroads which generally have approved the Seaway, now apparently having decided it would be well for them to go along with the new situation, have been investing in property. Sometime ago the Pennsylvania Railroad purchased the property of the Calumet Harbor Terminal in the Chicago region and has recently announced its intention to enlarge this terminal. Other railroads give evidence of increasing their real property holdings. The Cleveland Electric Illuminating Company, holder of extensive Lake Erie frontage and other tributary land, has found private capital is interested in acquiring some of its lands as po-

tential industrial sites. In just about all of the Great Lakes ports or in their vicinity, good opportunities for investment in land are available for the man who investigates carefully.

Stimulate Transportation

A successful motor truck company with headquarters located about 150 miles from the Lakes, recently expanded its facilities in anticipation of increased traffic between the ports and the interior. It notes not only the prospect of hauling goods to and from the ports, but believes the acceleration of international trade will stimulate domestic trade with a consequent further requirement for trucking facilities. The momentum acquired by business engaged in either exporting or importing, or both, more than likely will generate more sales pressure in the domestic market. In turn, firms whose business is confined to the domestic field, may well react to this new impetus and enjoy increased sales.

Growth in General Economic Activity

Just as the trucking firm senses the prospect of a general upsurge in business throughout the region, so other firms have a similar vision with reference to themselves. They are impressed by the interdependence of economic activity, as previously noted. Machine tool manufacturers, producers of transportation equipment, and of foodstuffs depend for their sales upon other industries. The automotive field for example, constitutes an outlet for paints, glass, tires, textiles, and many other materials. Even with automation, there is certain to be a demand in various quarters for more man-power. More population means more housing, more clothing, and more of other requirements of the individual or the family. Thus increased demand for all manner of commodities as an indirect consequence of the Seaway influence can make the organizations which produce the goods, desirable fields for investment consideration.

And Farming Too

This analysis of Seaway stimuli to investment opportunities would be incomplete without at least brief reference to farming. With

a probable saving of five to eight cents or possibly more, per bushel on export grains, the world market should be considerably enlarged. Lake ports such as Toledo and Chicago are already improving their grain elevator facilities. It is reported that several ships have been chartered especially to transport grain this year between the Great Lakes and the United Kingdom. Increased sales by the farmer means his purchases of farm machinery and other industrial equipment, household furniture and utensils, and even foodstuffs, will be enlarged. As this market grows, the investor in a supply company can look forward to better returns.

The Obstacles

All that we have stated is contingent upon a period of peace and avoidance of a general economic depression. Perhaps it is not necessary to record this qualification. Of course, if the Congress were to declare for higher tariffs or restrictive quotas, excessive tolls, or other such actions which could stifle international trade, the advantages of the Seaway could be wiped out over night. In any event, the investor will be well advised to make a careful analysis of the relation of the prevailing economic atmosphere, to each specific situation in which he might become interested.

Among some men immediately associated with port development and shipping on the Great Lakes - St. Lawrence Seaway, there is apprehension that an unfavorable rate structure, both on the Seaway and in its tributary area, can come to pass to offset an otherwise promising situation. Transportation rates, in all of their aspects, must not only not be prohibitive but they must be sufficiently low and dependable to encourage shippers in the respective port hinterlands to utilize the ports. Ships must have cargo. If the rates, in themselves, do not offer advantages over Atlantic and Gulf ports, then the lake ports must yield some other quality, such as exceptional freight handling facilities which, together with moderate rates, at least, will place them in a good competitive position. Given a satisfactory rate structure, the service potentialities of the Sea-

way can be realized by the entire region. In this atmosphere the growth of business and its concomitant investment opportunities should be stimulated. Although we note a hazard in the establishment of an appropriate rate structure as a current uncertainty we can not conceive that intelligent leaders will deliberately impose adverse rates, or for that matter, do anything else to impair an effective economic utilization of this magnificent waterway improvement.

While it would be folly to underrate the great contribution which the Seaway can bring to business in the Great Lakes Region, it would be equally unwise to assume that investors will be automatically assured of unprecedented profits. Cautious action, as always, will continue to be rewarding. END

Domestic and International Outlook for Non-Ferrous Metals

(Continued from page 151)

advance. Over the longer term the prospect is better. Predictions for the year as a whole indicate an upturn in consumption, especially in the battery industry where a gain is indicated. The Business and Defense Service Administration forecasts 1959 lead consumption at about 5 per cent over 1958, but still 12 per cent below 1957.

Zinc Struggles

The situation for zinc appears better than for its sister metal. Zinc producers made a determined effort to cut production in 1958 and were markedly successful. At the end of 1958 zinc stocks had been reduced to the level of only two months supply. Under the quota established by the President, estimated domestic mine output would have to be increased at least 40,000 tons a year to balance the loss of imports — under the quota — and still maintain sufficient supplies for industry. While there can be no quarrel with this arithmetic it simply hasn't worked out thus far so as to provide a higher domestic price for the producers. The sad fact is that at the end of the first quarter the metal was selling 1½ cent lower than on

January 1.

Commenting on the quota system, a New Jersey Zinc executive said that while the system has contributed to some stability, it has not been in effect long enough to demonstrate its worth to bring about reasonable economic conditions for the domestic zinc mines. *Quota restrictions do not apply to imports of fabricated products, and such imports continue to threaten the markets here to the detriment of U.S. producers.* Zinc prices in London are about 2 cents below the New York level, which permits foreign fabricators to ship here at a profit and still pay the tariff.

This is undoubtedly true, but in itself would not explain the decline in demand and price weakness since the first of the year. The real trouble appears to be the distressingly low level of sales to the diecasting industry, next to galvanizing, zinc's largest sales outlet. Hopes were high that Detroit would call for an increasing tonnage as auto output increased. This did not happen in the first quarter. Fortunately demand for zinc from the galvanizers was extraordinarily strong, and more recently the brass fabricators have had better business. In consequence, zinc sales, except for Special High Grade used by the diecasters, have been quite steady, but not booming.

Zinc is generally preferred by diecasters to aluminum, but the margin is narrow over the lighter metal. On a volume basis, aluminum costs substantially less than zinc in spite of its higher price and any advance in zinc might find it being priced out of the market.

Recently Senators from the mining states have introduced a bill to bring zinc and lead imports under a more stringent system aimed at supporting zinc at 13½ cents and lead at 15½ cents. This would be done by empowering the Government to regulate imports at levels necessary to maintain these prices. In effect, it would reduce imports another 20 per cent. Undoubtedly such a bill would have hard sledding to win approval and meet the most violent political brickbats from both sides of the border.

(Please turn to page 178)

Improved Price Foreseen

Taking the longer term view, there is no cause for pessimism for zinc, either on price or consumption. Even for the short term, that is within the current year, a survey of both consumers and sellers indicates they expect a higher price than 11 cents a pound will prevail. An average price of about 12½ cents was named for 1959, or about 15 per cent higher than the present market, and this without any change in present tariff or quotas. This would mean no bonanza earnings for domestic zinc producers, but for the majority of the mines, better profits than in 1958.

There is an old rule of thumb in the non-ferrous trade circles, that the combined price of lead and zinc per pound should equal that of copper. It's been historically true over the years, but not necessarily for any particular year. Obviously, with 31-32 cent copper, the lead and zinc prices are much too low, or copper is too high.

Happy Days Gone For Aluminum

Until late in 1957 the aluminum industry was pleasantly free from the worries that beset other non-ferrous metal producers, of over capacity, ruthless competition within the industry, and fluctuating prices. Demand had increased regularly, the metal was in short supply, and prices could be advanced to compensate for higher costs, without overmuch protest from consumers. Then the skies darkened and aluminum producers suddenly realized they were about to be confronted with some of the problems that periodically had irked copper, lead, and zinc men.

Early in 1958 the facts were all too plain. Aluminum capacity had expanded too fast. Not only were present production facilities sufficient to take care of normal demand, but new pot lines were scheduled to come on stream. Production costs were rising. Last April, Russia plunged the market into turmoil by offering aluminum in Europe and in the United Kingdom at prices less than Canadian metal. This set off a chain reaction that extended into this country, and for the first time in a decade, the

price of aluminum pig and ingot was reduced; by 2 cents a pound.

It then became apparent that the long-continued increase in demand for the light metal had begun to flatten out after a prolonged upward trend line. The all-time record was made in 1956, with 1,678,900 tons of primary production. In 1958 domestic production had fallen to 1,550,000 tons. But total U.S. primary production capacity at the end of the year was 2,200,000 tons. Hence, production in unlamented 1958 was only a little more than 70 per cent of installed capacity.

Primary production by no means represented the total U.S. supplies. There was in addition about 380,000 tons of secondary aluminum, and about 220,000 tons imported, which brought total supplies in 1958 to approximately 2,150,000 tons. As shipments of pig, ingot, and mill products came to 1,750,000 tons, there was evidently about 400,000 tons excess supplies that were either with the producers or consigned to the stockpile.

Better Prospects For 1959

Admittedly 1958 was a poor year from which to draw an inference for the aluminum industry. Prospects for 1959 are much improved. For the first two months of this year primary production had increased 14 per cent over the same period of 1958, and it appears probable that the first quarter of the year may set a new high record of about 455,000 tons. This would indicate total production in 1959 of about 1,900,000 tons, or some 12 per cent more than in 1958.

If this record were achieved, which of course presumes no work stoppage next August when wage contracts are to be negotiated, it would represent about 85 per cent of 1958 capacity, or more realistically, only 73 per cent of 1959-60 capacity when planned new facilities are completed. The conclusion readily follows that a shortage of aluminum is not in sight, neither this year nor the next. Of this fact aluminum consumers are fully aware and they appear in no rush to stock up metal against a strike. This is in sharp contrast with the present attitude of steel and copper users.

Virtue From Necessity

Instead of being dismayed by the prospect of over capacity of the industry, aluminum producers are making a virtue out of necessity and declare that over-capacity gives assurance to users of uninterrupted supplies and opportunity definitely to cultivate mass markets. The industry has won a deserved reputation for aggressive and successful development of new markets and looks forward with the utmost confidence to invading such promising fields as automotive and construction on a much more ambitious scale than yet attempted. For example, the use of aluminum for construction purposes has increased to nearly one-fourth of total output, and the use of hot metal sent directly to the foundry, as proposed by Reynolds for Chevrolet's new plant at Massena, may prove the breakthrough that might increase enormously the tonnage of aluminum that could go to the auto makers.

Alcan Is Conservative

This is the cheerful side of the picture. Something more dour is voiced by an Alcan official, who says that the aluminum industry must look forward to a condition of over supply for the next few years until a further rise in demand restores the balance. He points out that while the industry as a whole completed new capacity, consumption remained almost constant, with a significant portion of world capacity still idle. It is also true that producers have pledged themselves to maintain an unchanged price through June 30, although this price is regarded as unsatisfactory and by comparison with a year ago, is about 8 per cent lower at the present time. Whether the price can be advanced in the second half of the year, if wages are raised under a new contract, is a moot question. Even at this time the industry is experiencing considerable trouble from imports of fabricated products, manufactured abroad from cheaper metal and substantially lower wage costs, that can be brought into this country profitably over the existing tariff. Such competition could act as a barrier on price increases.

Less Danger From Russian Dumping

However, there seems to be less reason to fear further dumping of Russian aluminum on world markets. Under a so-called "gentleman's agreement", Soviet shipments are to be held to only 15,000 tons, and during the last five months, imports from the Soviet zone have shrunk to even less than this. On the other hand, under Khrushchev's "Seven Year Plan", the U.S.S.R. has set a goal of 3.5 million tons of aluminum by 1965 which would be far more than capacity of either U.S. or Canada. Other huge projects are those in Africa with French and British capital. The old supremacy of the U.S. and Canada in world output is rapidly narrowing — now only 56 per cent, as compared with 70 per cent twelve years ago.

The prospect for better earnings for the aluminum producers in 1959 is good, but it appears unlikely that they will justify the present extraordinarily high price-earnings. Or in other words, present prices appear amply to discount such projected improvement. Over the longer term the situation is different, and the patient investor may find present prices rewarding.

Among the major producers, **Aluminium Ltd.** — better known as Alcan — makes no bones that the immediate outlook is unfavorable. A company official is quoted as saying that the current quarter is the worst in seven years. Profits in 1958 were 74 cents a share, compared with \$1.37 in 1957. **Aluminum Co. (Alcoa)** operated at about 75 per cent of capacity in the first quarter, but indicated it would reopen additional potlines because of rising demand for metal. **Kaiser** operated at 80 per cent of capacity, and aggressive **Reynolds** at 88 per cent. Ormet Corp., subsidiary of Olin Mathieson, was at 100 per cent, but doubts if present prices for aluminum are high enough to make operations profitable.

One thing is pretty positive — the lush days of a seller's market are over for the aluminum industry. Competition between the producers, here and abroad, is certain to become increasingly keen. But more than ever, the slogan of the industry — plenty of metal and plenty of confidence — will push aluminum sales to new heights. END

Hong Kong ...

(Continued from page 147)

As Hong Kong's position as entrepot for trade with China declined, the Colony switched its economic emphasis to manufacturing.

In 1947 there were 1,050 registered "industrial undertakings" in Hong Kong, employing 64,000 workers. By 1952 there were 2,088, employing 98,126. Today there are about 5,000 such "industrial undertakings" with more than 180,000 workers. And these figures do not include small cottage-type handicraft industries or the under-employed in the industrial fringe.

Hong Kong's industrialization has been reflected graphically in export statistics. Ten years ago the Colony's exports of locally-made goods amounted to only 10 per cent of total exports. Last year they made up 40 per cent of the total.

Korean Setback

But Hong Kong had its anxious times in the early 1950's. The cumulative effects of Hong Kong's own controls on trade with Communist China and North Korea, plus what the Hong Kong government described as the "ruthless application of the American embargo", led to severe unemployment and a drop in import-export figures.

Trade with the United States, which had been 16.3 per cent of the total in 1947, dropped to 4.3 per cent in 1953.

The Chinese Communist government began to exercise rigid controls over trade, making bulk deals with foreign governments and by-passing Hong Kong and its port and warehousing facilities. Exports to China, which in 1938 had represented 45 per cent of Hong Kong's total exports, and which in 1948 still represented 18 per cent, dropped to four per cent in 1956.

However, the United States eased the situation by removing Hong Kong itself from the total embargo and the American Foreign Assets Control Regulations put into effect in 1952 proved to

be, in the final analysis, a blessing, in disguise, for Hong Kong.

United States Now Heavy Buyer of Chinese Goods thru Hong Kong

The American demand for Chinese-type goods, which formerly came from the mainland, could not be met because the U.S. Government would not permit their import from Communist territory. This provided a further impetus for the establishment of such industries in Hong Kong.

After ironing out the red tape difficulties and arranging a certification and licensing scheme which satisfied the United States, Hong Kong enjoyed a great increase in its exports of locally-made Chinese-type goods to the American market.

The percentage of exports to the United States in relation to Hong Kong's total exports rose from four per cent in 1952 to 11 per cent in 1959 and is still rising.

In 1958 the United States was Hong Kong's third best customer — following the United Kingdom and Malaya. In fact, during the last two months of 1958 the United States came close to replacing Malaya as Hong Kong's second biggest customer.

And last month, March 1959, preliminary estimates showed that Hong Kong's exports to the United States for the first time in recent history actually exceeded the Colony's imports from America.

U. S. imports from Hong Kong in 1958 amounted to roughly HK\$300,000,000, an increase of more than 50 per cent over 1957. The big jump has been in cotton garments — particularly shirts and blouses. Other important items of export to the United States were toys, embroidered slippers, rattan furniture, woven baskets, oriental groceries and rubber-soled canvas shoes.

The increasing amount of Hong Kong textiles reaching the American market has given rise to murmurs of protest from domestic textile interests. But so far Hong Kong's textiles have not met the degree of opposition shown those from Japan.

Hong Kong textiles also are

meeting some resistance in the United Kingdom and other manufacturing countries where they undersell the domestic product.

American exports to Hong Kong last year were around HK\$420,000,000 a drop of ten per cent from 1957. This was due principally to lower shipments of scrap metal for resale to Japan and decreased American textile trans-shipments to Southeast Asia.

Expanding Export Trade

The total value of Hong Kong's external trade declined slightly in 1958 from 1957 but trade in products of Hong Kong origin actually rose somewhat.

The combined value of imports and exports in 1958 was HK\$7,582,530,000, a decline of HK\$583,190,000 from 1957. Most of this was due to a fall in import values from an abnormally high 1957 figure.

The decline in export value in 1958 was only HK\$27,470,000, and this was all in re-exports. The value of exports wholly or principally of Hong Kong origin rose to an all-time record of HK\$1,260,280,000.

Total value of Hong Kong exports in 1958 was HK\$2,988,800,000.

Almost half of the total Hong Kong exports in 1958 went to South and Southeast Asia, compared with only 12 per cent before the war.

Great Britain is still Hong Kong's most profitable market, to which the Colony has duty-free access. Exports to Britain in 1958 were about the same as to Malaya—around HK\$400,000,000. But 85 per cent of the exports to Britain were made in Hong Kong, while only 25 per cent of the shipments to Malaya were locally-made.

Principal exports to Britain are textiles and footwear.

Hong Kong also has been increasing her exports to Continental Europe, Australia, New Zealand and Canada and most of these sales are of locally-made goods from the Colony's new industries. West Germany has become a particularly good customer.

Recently American investors have been supplying more and more capital for Hong Kong's ex-

port industries. There are no exact figures but economic officials say it is substantial.

While the Chinese and British business interests have been chiefly responsible for the dramatic industrial growth of Hong Kong, Americans have helped from the early days.

One instance concerns an American importer who, in 1952, found himself to be unable to secure the necessary license to import into Japan a large amount of British woolen yarn to be made into gloves. He suggested to an established Hong Kong firm that it use the yarn and enter the glove manufacturing field.

An expert was sent to Hong Kong from the United States to instruct employees in the operation of knitting machines. In six months the first gloves were being exported by the company.

In 1953 Hong Kong exported 296,136 dozen pairs valued at HK\$6,496,735. In 1957, according to the Colonial Government's handbook, Hong Kong exported 1,434,737 dozen pairs with a total value of HK\$26,205,828.

The Textile Boom

The textile industry has expanded very rapidly since 1948 and now is Hong Kong's major industry. The spinning mills, most of them of latest design, operate more than 350,000 spindles. The main items in the weaving section are cotton grey drill, canvas, shirting, striped poplins, gingham and other bleached and dyed white cloth and prints.

Production in 1958 was estimated to total 250,000,000 square yards.

Raw cotton for the textile industry constitutes the largest single item Hong Kong imports from the United States. In 1958 it was valued at more than HK\$75,000,000.

The Outlook

So far as concerns the future, Hong Kong businessmen are basically optimistic. They foresee difficulties ahead, both economic and political, but apparently feel they will be able to overcome them by the application of the same energy and enterprise which has characterized their success story of the past 14 years.

They don't expect continuation of boom conditions at the 1957-58 level. And they are resigned to the indefinite loss of the China mainland market.

There also is the probability that the entrepot trade with Southeast Asia will continue to decline as the area develops its own commercial contacts throughout the world.

However Hong Kong's entrepreneurs hope to make up for any loss in entrepot revenue by further expanding exports of the Colony's own manufactures.

Admittedly Communist China is always in the minds of the Chinese, British and other businessmen in Hong Kong. As mentioned earlier, they do not expect any overt move by the Peking Government against Hong Kong's position in the foreseeable future.

But they recognize that political considerations motivate Red China's trade policy and they must always be apprehensive on the score of economic warfare—particularly in Southeast Asia.

The British Government has shown no particular inclination of late to trim its sails to the international political winds simply because of Hong Kong's exposed position on the edge of the Eurasian Communist land mass. But neither has it indulged in any provocative exchanges of the type which sometimes occur between Peking and Washington.

Hong Kong, and its British and Chinese businessmen, seem to feel that a good trader who serves a useful function and stays out of politics can always manage to make his way in the world—along with a fair profit.

The Genius of Free Enterprise

So far as its own internal political situation is concerned, Hong Kong is stable and unruffled under British Governor Sir Robert Brown Black. Preoccupied with business, there has been no agitation among the Chinese, who make up most of Hong Kong's three million inhabitants, for any more self-rule than they have.

The Colony's Government was somewhat slow to recognize the seriousness of the refugee problem in the early 1950's. But once it grasped the magnitude of the invasion, it moved with com-

mendable efficiency. Huge housing developments have been built to care for the influx from the mainland and tighter controls clamped on immigration.

The Hong Kong Government levies only moderate taxes but even so the annual budget is more than balanced. At present its reserve is equal to one year's expenditures.

Hong Kong is described as one of the few remaining places where the government still has the old "laissez faire" attitude toward business. The U. S. Commerce Department says of Hong Kong that "in general, the government has avoided large-scale measures to stimulate the economic life of the colony, leaving the solution of the major economic problems in the hands of private interests. Hong Kong's considerable economic development is attributable in great part to the large measure of freedom of enterprise existing in the colony."

The Hong Kong Government itself, in its latest annual report, points out that the Colony achieved its post-war economic recovery without outside aid. It says:

"The predominant theme in international discussions about Asia in recent years has been the urgent need for outside assistance, in cash or kind, for the less developed and newly independent countries of the area, in order to promote their economic development and to raise the standard of living of their peoples. Hong Kong has, however, lived up to its reputation of being, as so often before, the exception to the general rule. This small colony, almost entirely lacking in natural resources other than the indomitable will and enterprise of its people, has not only belied all prophecies of economic disaster, but also established itself as a vigorous industrial power whose activities are provoking widespread attention from less successful competitors. This development has been achieved without major recourse to outside economic assistance (other than benefits derived from membership in the Commonwealth of Nations) and despite formidable obstacles arising from political circumstances beyond local control".

END

Gauging Second Quarter Outlook

(Continued from page 134)

Nothing approaching record levels is in store for the current year, but the list of industries planning to increase their outlays is impressive. Moreover, it should be considered that corporate executives invariably underestimate both their cutbacks and increases in capital expenditures.

At the moment, the airline industry, in the middle of its swing over to jet aircraft, is the only major segment of the economy expected to top its 1957 expansion totals, but several others plan at least 10 to 15 percent increments. Principal among these are the aforementioned electrical utility industry, the textile group and the oil industry.

On the other hand primary metals and mining operators, badly burned by overcapacity during the recession, are scheduling further cutbacks in outlays until production is brought more closely in line with capacity.

The Small Car Impact

None of the above figures or statements reflect the unofficial impact that is already being felt in several industries from the coming introduction of small cars by the top three automobile makers. The auto parts makers are still close-mouthed about the business they are receiving, but enough has leaked out to indicate better days for a wide group of industries, including steel, aluminum, rubber and the various makers of automobile parts and accessories.

Borg-Warner, in fact, has already announced the receipt of small car orders, and has enthusiastically hailed this new business as the opening wedge for a "big new expansion" in Borg's auto parts business. Similarly, many machine tool and machinery producers privately admit that the pickup reported recently in new orders is largely the result of "small car" business, but specific news on these orders must await "new breaks" by the car makers themselves concerning next years models. To date,

only Ford has admitted publicly that it plans to enter the small car market next year.

Outlook

In view of the picture painted above, the significance of the second quarter is sharply reduced. A combination of hedge buying of steel, the placing of new orders for machinery and tools for next years car models, and a substantial rise in transportation especially from the steel centers virtually assures that business statistics will look good through June.

After that, despite the probability that steel and other metal operations will slow down somewhat, there is ample additional evidence that at least a modest recovery will continue through the balance of the year.

Construction activity, a major prop in the last few years, continues at an exceptionally high rate and is now getting additional supports from a slight pickup in industrial building. This fact alone, when combined with the high rate of scheduled roadbuilding and other public works, virtually assures a steady demand for steel and other metal products. Moreover, a slight slowdown in the pace of overall economic activity may bring about several healthy developments.

Plywood prices, for example, have been pushed to a near record \$85 per thousand feet owing essentially to a shortage of available railway transportation equipment. The result has been a small, but noticeable decline in new housing starts. Once that extraordinarily high level of steel and metal shipments recedes, however, the space squeeze should ease, taking the pressure off plywood and other building material prices, and reviving the new housing market.

Furthermore, the maintenance of consumer spending at record levels and the recent evidence of an easing in the troublesome unemployment situation bolsters the outlook for appliances and wide variety of hard and soft goods products.

Signs of Spring

The appliance upturn has been among the most encouraging de-

velopments of 1959, but it has not been alone. Textile production, for example, is up 15 per cent from a year ago, and recently introduced price increases are sticking. In fact, several textile firms report that their total output through the end of the second quarter has already been sold.

New car sales have also taken a turn for the better, leading at least one company (Ford) to predict that 1959 will be a six million car year. It is too early to comment on the validity of this prediction, but it is encouraging to note that output in March rose to 576,085 cars, a rate ahead of a six million pace. Moreover, the March figures stand 20.5 percent above February totals and over sixty percent above March 1958.

Mixed Profits Outlook

It appears certain, therefore, that 1959 will be a far better year than 1958, even if activity slows somewhat in the latter months of the year. Profits for individual companies, however, will vary widely. Steel and metals companies, benefitting from the heavy demand for their products are already reporting excellent results for the first quarter, but enthusiasm should be tempered with the realization that comparisons are being made with the severely depressed first quarter of last year—and with the fact that demand has been abnormally high so far this year.

In other industries, the picture will not be as clear. Electrical equipment makers will benefit from increased shipments of electronic equipment for the defense program, but earnings from the rising level of utility orders will not be felt until 1960 at the earliest.

Auto parts manufacturers will have a good year, but profits will be held down by the need for costly retooling to meet Detroit's demands for small car designs. Moreover, the parts makers will continue to bear a large portion of automotive research costs, a factor which is becoming more costly each year.

The car makers, of course, should have a more attractive profits year, but ahead lies the uncertainties of the small car market. To date, the only thing that is sure is the extraordinary expense of bringing "compact"

cars to market.

For the machinery and tool makers, the upturn in orders has been too insignificant so far to warrant undue optimism. That new orders have stopped declining is a happy circumstance. But a return to shipments near the record \$800 million set two years ago still appears a long way off.

Summary

All in all the outlook ahead is neither dark nor exuberant. Inventories, backlogs and new orders have taken a turn for the better, but when adjusted for hedge buying against a possible steel strike, their true significance becomes blurred. On the other hand, there are ample signs that the economy is not about to slip back into recession. So far, however, there is little to justify a runaway stock market at the present level of prices. **END**

For Profit and Income

(Continued from page 159)

Blaw-Knox

In the machinery group, Blaw-Knox, around 43, appears reasonably priced for speculative buying. Earnings have been well maintained at \$3.84 a share in 1958, against 1957's \$3.99 and 1956's peak \$4.16. They might reach the vicinity of \$4.40 to \$4.60 a share this year, for a new record; and should be higher in 1960 on the reasoning that business recovery implies larger total outlays for new plant and equipment in 1960 than in 1959. Now at \$1.40, cash dividends could be raised. There were stock extras of 2½% last year, 4% in 1957 and 5% in 1956. The company makes equipment for the utility, chemical, steel, building and other industries; and engages in specialized engineering and contract construction work. In a 1956-1959 range of 46¾-21¼, the stock has not been unduly exploited.

ABC

In the amusement field, American Broadcasting-Paramount is on the upward grade. Results of the Paramount movie theater chain are far from dynamic but might improve a bit this year. Losses on radio broadcasting are

being reduced. The big improvement is in television broadcasting revenue, reflecting development of a number of popular programs. ABC-TV now has five of the country's ten top-rated TV programs (in audience coverage), compared with one a year ago. Based on planned new programs and the general upward revision of advertising budgets now in progress, the company's prospects appear more promising for the "television year" starting next autumn. Including \$0.19 a share in capital gains (sale of some Paramount properties), over-all net was \$1.40 a share in 1958, against 1957's \$1.10. Operating profit this year could approximate, if not exceed the record \$1.87 a share of 1955, in which year Paramount theater results were dominant. Present indications suggest a good gain next year, which might bring liberalization of the \$1.00 dividend. The company has substantial stock interests in two small, growing producers of electronic equipment, and in California's successful Disneyland Park amusement center; and, through its Am-Par subsidiary, is among the larger producers of phonograph records. In a so-so market, the stock recently "broke through" to the best recovery level in several years. Around 25, it remains well under its 1955 high of 33½, and might well equal or exceed the latter level over a period of time.

Pure Oil

Primarily an integrated domestic oil producer, refiner and marketer, Pure Oil will benefit this year from the indicated moderate general rise in product sales and from better margins. The latter figure will be helped by reduced competitive pressure from oil imports under the present mandatory Federal control program. At the same time, the new program is directly beneficial because it permits the company to bring in up to 13,540 barrels daily from its production in Venezuela (or later from other sources), against a previous "voluntary" quota of 5,000 barrels. Last year, profit was cut over 20% to \$3.35 a share. It might be anywhere from \$4.40 to \$4.70 a share this year. In time the \$1.60 dividend could be raised. The stock appears reason-

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The audit of our open position at the end of the first quarter shows 804 points gain — 44 points loss — on 19 stocks held. These substantial profits have been spurred by stock-splits, new contracts, higher earnings, and increased dividends.

—McDonnell Aircraft, recommended at $36\frac{1}{2}$ on February 3, quickly hit a high of $49\frac{3}{4}$ on news of huge contract awards — and its move to the Big Board.

—Of 3 Forecast "buys" chosen last June, Beech Aircraft, which announced a new division to finance plane sales, has risen from $26\frac{3}{4}$ to $35\frac{3}{8}$. . . Denver & Rio Grande Western has proposed a 3-for-1 split and sprinted from $39\frac{1}{4}$ to $59\frac{1}{4}$. . . while Southern Pacific rose from 45 to a new peak of 70 on increasing earnings.

—International Tel. & Tel. recently reported a 19% increase in earnings, raised its dividend and split its shares 2-for-1 so the present price is equal to 78 for the unsplit shares which we advised clients to buy at $18\frac{1}{2}$.

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ably priced at 46, in a 1956-1959 range of 51¾-29. Oil and gas reserves have a conservatively estimated value over \$75 a share.

A Canadian Speculation

Most Canadian stocks with growth possibilities are as liberally priced as U. S. issues, or more so. An exception is Dominion Tar & Chemical, a major producer of building materials, chemicals, paper and pulp. Full benefit from aggressive expansion, by acquisitions in recent years, probably is ahead. Profit rose to \$1.40 a share, a new peak, last year, from 1957's \$1.25; and should gain further this year. The stock is listed on principal Canadian exchanges and actively traded in the U. S. on the American Exchange. On a conservative \$0.60 dividend, it is now quoted around 18. Attainment of a level around 25 or more over a period of time seems a reasonable expectation, based on growth of the Canadian economy and the company's good representation therein. **END**

Answers to Inquiries

(Continued from page 166)

inland waterway in Chicago and a major expansion of the Los Angeles box plant will be completed in 1959.

Owens-Illinois sold last year 98,386 common shares of Continental Can Co. stock but still owns the beneficial interest in 319,500 shares of Continental stock which is held in a Voting Trust.

The company expects sales and earnings in 1959 will compare favorably with last year's as well as with the performance of industry in general this year.

Earnings for the first quarter of 1959 rose to \$7,834,997, or 98¢ a share, from \$6,566,417, or 80¢ per share in the same quarter of last year.

The company is directing much of its basic research on glass toward developing new types of glass for use in the electronics field. Some of this effort concerned compositions having resistance to high temperatures and to bombardment by high energy particles. Additional research concerned composites of glass, ceramics and metals, according to the company.

Dividends last year totalled \$2.50 per share and 62½ cents was paid in the first quarter of the current year. The company has paid consecutive dividends since 1907. This leading producer of glass containers and glass specialties, paperboard and corrugated shipping containers has had a good record of growth over the years.

Ritter Company

"I am a subscriber to your magazine and would like to receive information on Ritter Co. and please indicate earnings trend of the last few years."

L.S., Roanoke, Va.

Ritter Co., Inc. manufacturer of dental, medical and hospital equipment, last year established all-time records in company sales and earnings for the second year in succession.

Consolidated net income for 1958 was \$1,653,783 after all provisions. This amount represents a 7.3% increase over the \$1,541,940 net income of 1957. Earnings for 1958 came to \$3.34 per common share outstanding at the year-end. On a comparable basis, 1957 earnings amounted to \$3.11 per share.

Ritter sales attained a new high total of \$17,093,503 in 1958 compared to \$16,591,718 reached the previous year. The increased sales were attributed to the interest shown in the Borden Airotor, the ultra-high speed air driven dental drill first marketed in late September 1957, and inclusion for the first time of a full year sales of Liebel-Flarsheim Co. of Cincinnati, Ohio, manufacturers of electro-medical equipment and medical X-ray specialties, which became a wholly owned subsidiary of Ritter in June 1957.

Ritter current assets at the end of 1958 totalled \$11,847,004 of which \$1,287,593 was in cash. At the same time total current liabilities amounted to \$3,557,957, resulting in net working capital of \$8,289,047, compared to \$5,922,072 in 1957.

The company has a substantial West German manufacturing subsidiary which has been long established in a favorable location, and this will enable then to take advantage of the expansion in the European markets which can be expected as the countries which comprise the European Common Market gradually integrate and expand their economic and commercial forces. Already a small

addition to the company plant in Germany is planned for completion this year. The German subsidiary contributed a total of \$242,200 to Ritter Co. income in 1958 compared with \$198,901 in 1957.

Earnings have shown a steady rise in each of the past four years.

Company paid \$1.45 in cash dividends plus 4% in stock in 1958 and has paid 40 cents quarterly thus far this year. **END**

Evaluating The Market Outlook . . .

(Continued from page 131)

the 30 stocks made new highs only 17 had gains on the day about half of these fractional and six accounted for 90% of the day's rise by the average. For the whole list, the day's ratio of up to down stocks was about 5.2 to 4.6.

We cite this — though the break-through brought broader subsequent strength — merely to point up the fact that your interest has to be in stocks, not the average. There can be no permanent market Utopia. Selective emphasis on sound values for 1959 and beyond will pay off.

—Monday, April 20.

Book Reviews

Financial Post's Survey of Mines

Stepped-up exploration activity resulting in new mineral finds is building the base for a fresh surge of growth in Canadian mining, says the 1959 edition of The Financial Post's Survey of Mines.

This 408-page basic reference book reports that Canadian mining is preparing for greater mineral demands of expanding industry throughout the world.

Providing details on all active mining companies in Canada, as well as thousands of others, the Survey of Mines is the most comprehensive book in its field.

It includes 22 pages of up-to-date maps of important mineral areas, an eight-year price range of stocks, mineral production tables going back to 1858.

Beside data on Canadian mines, the book also includes stock commission rates, lists of milling plants and metal prices.

Financial Post, Toronto

\$4.

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In 1959 and the coming years, we will see marvelous and practical progress in the conquest of space, in attainment of plant automation, in harnessing of atomic energy . . . with a host of new products, materials and techniques emerging.

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Expert Analysis of Your Present Holdings:

Our first step in serving you is to make a detailed report—analyzing your entire list—taking into consideration income, safety, diversification, enhancement probabilities—today's factors and tomorrow's outlook.

Issues to Hold and Advantageous Revisions:

Definite counsel is given on each issue in your account . . . advising retention of those most attractive for income and growth . . . preventing sale of those now thoroughly liquidated and likely to improve. We will point out unfavorable or overpriced securities and make substitute recommendations in companies with unusually promising 1959 prospects and longer term profit potentials.

Full information on Investment Management Service is yours for the asking. Our rates are based on the present value of securities and cash to be supervised—so if you will let us know the present worth of your account—or send us a list of your holdings for evaluation—we shall be glad to quote an exact annual fee . . . and to answer any questions as to how our counsel can benefit you.

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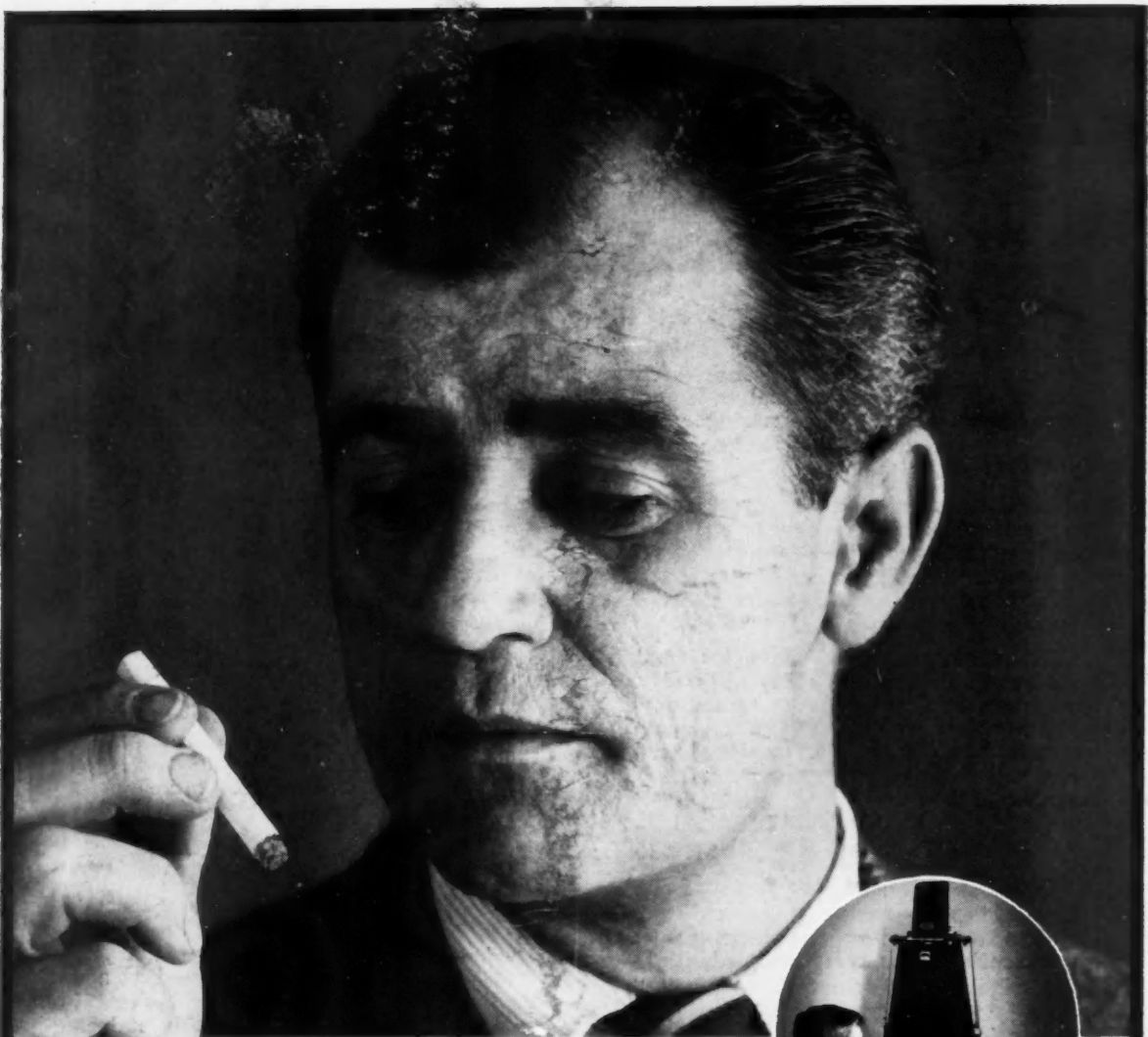
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We keep in mind the tax consequences of each transaction and help you to minimize your tax liability under the new tax provisions. (Our annual fee is allowed as a deduction from your income for Federal Income Tax purposes, considerably reducing the net cost to you.)

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Throughout the year we keep a complete record of each transaction as you follow our advice. At the end of your annual enrollment you receive our audit of the progress of your account showing just how it has grown in value and the amounts of income it has produced for you.



How to take the measure of a cigarette's taste



One good way is to measure the tobacco in the cigarette. Oddly enough, the *width* of the tobacco strands affects the cigarette's taste. Tobacco that's too wide (or too narrow) would pack improperly. The cigarette's burning rate would be adversely affected . . . and so would its taste.

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